NOVACYT
GROUP

Novacyt Group Annual Report and Accounts for the year ended 31 December 2020

Accelerating our strategy for long-term value

NOVACYT
GROUP

Novacyt is a diagnostics group, manufacturing diagnostic and pathogen testing kits based on molecular and protein testing technologies sold into human clinical, life science, food and industrial markets.

Leading the response to COVID-19

We developed one of the first tests for COVID-19, achieving the CE mark and regulatory approval in February 2020. We created new products for COVID-19 throughout 2020.

Our response to COVID-19 has enabled Novacyt to demonstrate the value of the business foundations that have been developed during the last few years.

Read more on **our COVID-19 response** on page 3

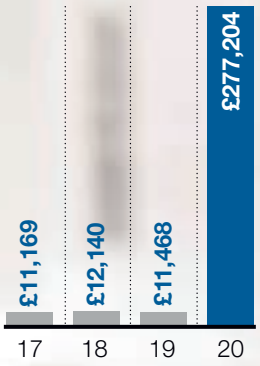
Accelerating our strategy for long-term value

We have been able to accelerate our strategy for delivering long-term value to Shareholders. We have identified specific high-value opportunities for growth in the diagnostics market where Novacyt can leverage its innovative position for developing new in vitro diagnostic products. In addition, with new opportunities created by an increased demand for diagnostics and investment in the industry, we expect to further boost revenues and profitability through selective and accretive acquisitions.

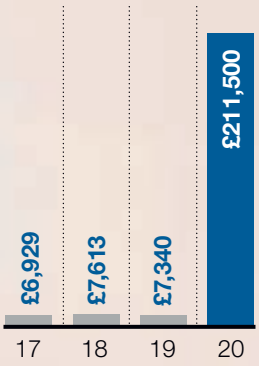
Read more on **accelerating our strategy** on pages 18 and 19

Financial highlights

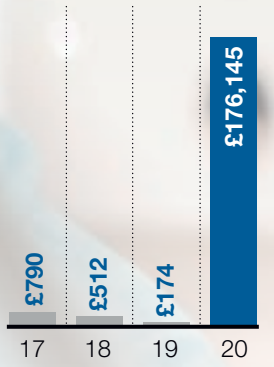
Revenue £'000
(2019: £11,468)
£277,204



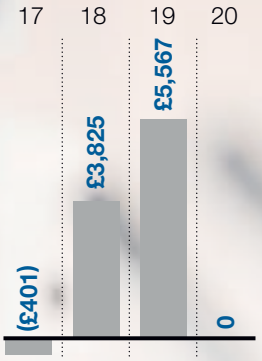
Gross Margin £'000
(2019: £7,340)
£211,500



EBITDA £'000
(2019: £174)
£176,145



Net Debt £'000
(2019: £5,567)
£0



Read the **financial review** on pages 26 to 29

Operational highlights

Acquisition of IT-IS

Providing a profitable diagnostic instrument development and manufacturing company with a solid reputation in development of mobile and rapid PCR instruments with proven high-quality, performance and reliability.

Read more on the **acquisition** on page 23

COVID-19 response

The Company experienced unprecedented sales demand for its COVID-19 products during 2020, which transformed our financial position, resulting in us significantly exceeding our full year 2020 budget and surpassing any previous performance.

Read more on **our response** on pages 22 to 24

Contents

The year that was 2020

For many, the year 2020 will always be remembered as the year that everything changed. From the way we greeted one another, to the way we held meetings, it was truly the year of radical transformation for many businesses.

For Novacyt, we too had a transformational year. From a mid-sized company of 110 people to a group of 237 people by the end of 2020. We have the capability to rapidly innovate new solutions and now supply our Gold standard kits to over 130 countries worldwide.

The Novacyt ethos has shone through, with everyone demonstrating a continued drive and positivity to innovate new products rapidly.

As a pioneer in clinical diagnostics, we have a proven history of responding quickly to changing global health needs, which includes providing testing solutions for Zika, Swine flu, and Ebola viruses. Solidifying this position, we were among the first to respond to the COVID-19 pandemic in 2020, providing a rapid and reliable CE-IVD marked SARS-CoV-2 testing kit.

Breakthrough innovations in 2020 by Novacyt Group

JAN/FEB

RUO

Product launches

RUO novel Coronavirus test.

genesig®

Product launches

genesig® real-time PCR (polymerase chain reaction) COVID-19 (CE), the first CE-mark approved test for clinical diagnosis of the 2019 strain of the novel coronavirus.

Market need

In late 2019, researchers in China identified a new virus that had infected dozens of people in Asia. As the COVID-19 pandemic began to spread beyond China, the need for testing increased exponentially worldwide.

MAR

EUA FROM THE FDA FOR FIRST COVID-19 TEST

APR

EUL FROM WHO FOR FIRST COVID-19-CE IVD TEST

JUL

AWARDED LTA WITH UNICEF

JUN

exsig® DIRECT, exsig® and COVID-HT

Product launches

Two new products to support laboratories testing for COVID-19. These were exsig® Direct and exsig® Mag, both RNA extraction kits for use prior to running a PCR test for COVID-19, and COVID-HT, a high-throughput test for COVID-19.

Market need

The number of known Coronavirus cases across the globe grew rapidly, with more than 100,000 new infections a day, causing demand for higher throughput COVID-19 tests. The onset of mass testing globally brought about many challenges. One of the most profound was a sudden shortage of pre-analytical solutions required for sample preparation prior to PCR testing for COVID-19.

AUG
Winterplex®
Product launches

Winterplex® CE-mark approved PCR respiratory test panel.

Market need

With the anticipation of Winter in the northern hemisphere, Influenza A, B and RSV were expected to add complexity to the COVID-19 pandemic.

SEPT
genesig® COVID-19 2G
Product launches

CE-mark approved PCR two-gene target test for COVID-19.

Market need

To support the adoption of our products in jurisdictions mandating the approach of utilising PCR testing, Novacyt's first generation product was improved further with the addition of a secondary target to the initial Gold standard product.

SEPT
SARS-CoV-2 IgG EIA
Product launches

CE-mark approved serology (antibody) 96-well plate ELISA (enzyme-linked immunosorbent assay) test for the detection of IgG antibodies to SARS-CoV-2 derived from plasma and serum samples.

Market need

Since the onset of the COVID-19 pandemic, patients and population groups have been extensively tested for an antibody response to COVID-19. Although there is much ongoing debate about how the immune system responds to different variants, the impact of vaccinations and even the type of antibody used in the test, our serology tests offer additional information on a patient profile, supporting ongoing population management.

NOV
PROmate®
Product launches

PROmate®, a new product to improve the workflow efficiency of Novacyt's closer to patient system for COVID-19 testing.

Market need

The global death toll from coronavirus surpassed 800,000 in August. The tally continued to rise as new infections flared across Europe with high numbers of deaths recorded in the United States, India, South Africa and most of Latin America, prompting mass testing programmes to be operated out of centralised laboratories.

Our contribution to the COVID-19 testing solutions has proven that we can respond quickly to any changing global health needs.

Our teams in Marketing and R&D aimed to pioneer innovations as a strategic priority. We are committed to delivering high-quality diagnostic products that will make a meaningful difference to our customers and their patients.

Our state-of-the-art innovations and technologies enabled us to be the first company globally to respond to the threat of the global COVID-19 pandemic by developing a CE IVD molecular test for the virus. Fast forward a year: we have developed a suite of solutions for COVID-19 to better manage the pandemic. These innovations enable us to deploy our expertise in other areas of diagnostics, paving the way for us to be a truly global clinical diagnostics company.

See page 136 for a glossary of terms

Group at a Glance

The Novacyt Group is an international specialist diagnostic solutions provider, with a comprehensive product portfolio in advanced molecular and protein detection technologies.

We passionately believe in providing patient-led focus and high-quality innovations, which advance the science behind diagnostics in microbiology, haematology and serology testing.

IT-IS International Ltd

a specialist in the development and manufacture of molecular diagnostic instrumentation.

PRIMER DESIGN

focused on design, manufacture, validation and supply of Gold standard real-time PCR kits, reagents and instruments.

MICROGEN BIOPRODUCTS

a product range of diagnostic products in the fields of microbiology, serology, haematology, bacteriology and virology.

LAB 21 HEALTHCARE

manufacturer and supplier of Plasmatec and Biotec branded products, plus a range of reagents and tests for IVD application and blood grouping.

IT-IS International

Acquired by Novacyt in October 2020, a specialist in the development and manufacture of molecular diagnostic instrumentation, delivers high performing technology for real-time PCR. With comprehensive capabilities ranging from molecular biology to software engineering, IT-IS provides products from bespoke system development to off the shelf real-time PCR machines.

Our capabilities

High quality analysis techniques to both real-time PCR amplification quantification, and PCR melt analysis. Our unique techniques identify PCR features such as dye response, baseline offset and drift, efficiency to yield accurate, reproducible results, and to recognise potential problem samples.

Our products

Agile, portable and high-performing real-time PCR instruments:

- genesig® q16 and q32: Novacyt's exclusive real-time PCR machines that work with solutions like VersaLab™ to provide rapid closer-to-patients testing.
- MyGo PCR Systems: real-time PCR machines that provide rapid, precise, quantitative PCR and melting point analysis.

Primerdesign

Focused on the design, manufacture, validation, and supply of Gold Standard real-time PCR kits and reagents. Provides the best custom qPCR assay development service in the world. Solidifying this position, we were among the first to respond to the COVID-19 pandemic in 2020, providing a rapid and reliable CE-IVD marked SARS-CoV-2 test kit.

Our capabilities

Bespoke and commercialisation of real-time PCR with an agile team that can deliver to market in the shortest possible time.

Our products

Proud producers of Gold Standard real-time PCR kits with world-class innovations:

- genesig®: for Pathogen detection,food and water testing, veterinary and agricultural testing, and more recently the COVID-19 pandemic.
- PROmate®: total workflow solution that is nearer to patients, inclusive of sample preparation, qPCR amplification, and analysis on the genesig® q16 and q32 instruments, specifically for the detection of SARS-CoV-2.
- SNPsig®: detect SARS-CoV-2 variants of concern under 2 hours, designed to run on central laboratory systems and the genesig® q16 and q32 rapid PCR systems.

Microgen Bioproducts

Clinical product range that supports healthcare providers in improving patient health with a comprehensive food diagnostic range that helps manufacturers ensure consumer safety.

Our capabilities

Expertise in the development, manufacturing, distribution, and marketing of products used by clinical laboratories to detect and diagnose infectious disease, and by food laboratories to detect and identify pathogenic organisms. Our product range comprises a comprehensive list of quality diagnostic solutions in the fields of microbiology, serology, haematology, bacteriology, and virology.

Our products

Recognised leaders in diagnostics solutions for infectious diseases as well as for food and industrial microbiology:

- PathFlow® Rapid Tests: complete solution for the rapid diagnosis of infectious diseases including for the detection of SARS-CoV-2 antibodies.
- Path-Chek Hygiene Tests: detection of a range of bacteria from work surfaces and the processing environment.
- Latex Agglutination Kits: simple one-step identification and confirmation of a range of pathogenic bacteria.

Lab 21 Healthcare

Cost-effective solutions in the production and distribution of reagents and test kits for both IVD and blood grouping application.

Our capabilities

Constantly improving production efficiency in our attempts to offer our end users the most cost-effective solutions with scale-up capabilities. Product improvement and enhancement to meet the needs of developing markets to broaden our geographical market coverage.

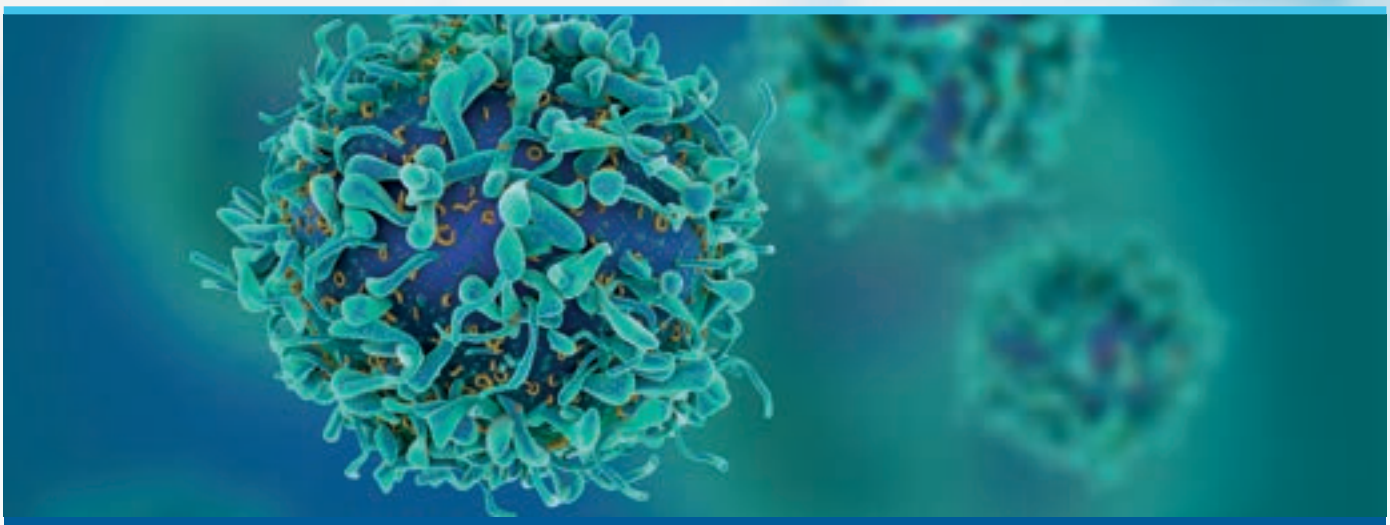
Our products

Well known for Plasmatec and Biotec branded products:

- Plasmatec: Core products are in the areas of latex microbiology and serology, blood grouping antisera, syphilis serology, and pregnancy testing.
- Biotec: Comprehensive range of diagnostic reagents, test kits, and blood grouping reagents.

Business Model

Key resources



Speed to develop products

As one of the first diagnostic companies to have a launched CE-mark COVID-19 tests approved by both the FDA and the WHO under the Emergency Use Listing ("EUL"), Novacyt put itself on the map. This product has now received regulatory approval from 57 countries. As the pandemic has evolved, Novacyt has continued to be at the forefront of new product development, improving workflow with PROmate® for near patient testing and tackling new Variants of Concern ("VOC") with SNPsig®. Our technology covers a range of PCR, ELISA, lateral flow antibody and antigen tests for near patient, central labs and high throughput settings that can run on many laboratory systems, as well as our own q16 and q32 rapid-PCR systems. Novacyt launched 14 new COVID-19 related products during 2020.

Manufacturing scale-up

Novacyt revenue increased by over 20 times from 2019 to 2020. This increase in revenue did not occur evenly throughout 2020, which meant that manufacturing had to scale-up even more than the revenue increase. This was further compounded by the introduction of new products with almost 60% of our revenue coming from products launched after the original COVID genesig® product. Novacyt has managed a network of sub-contractors to access additional capacity, which has accelerated the scale-up, ensuring we can flex capacity upwards and downwards in line with very unpredictable demand patterns.

Rapid commercialisation

Novacyt has used its extensive network of distributors to bring products to market consistently and more quickly than our competition. We have strengthened the commercial leadership both internationally and in the UK, to drive more direct customer sales and build an installed instrument base. In the first half of 2021, we have seen a shift from Government testing to private testing as parts of the economy reopen, and we have worked closely with several leading private test companies in this space including the launch of our own mobile trailer solution under the VersaLab™ brand.

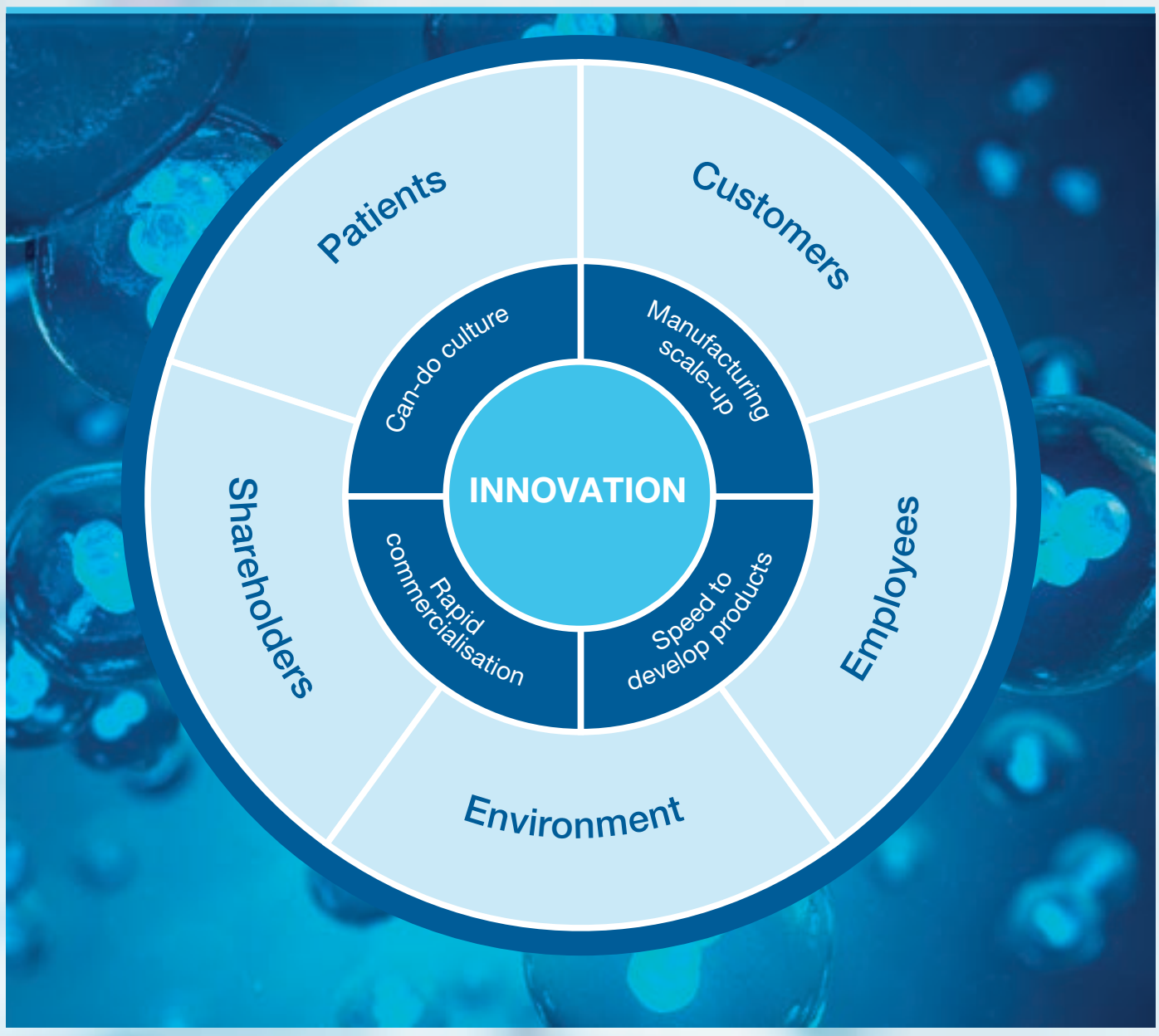
Can-do culture

The DNA of Novacyt is an agile entrepreneurial business where speed to market and indeed speed to patient is paramount. The success of 2020 is testimony to this can-do culture in action where significant scientific, regulatory and supply chain challenges were conquered. As we scale-up the organisation, we are preserving our core values to ensure we continue to respond in a rapidly changing environment.

Innovation

In Novacyt, innovation is about delivering effective solutions ahead of our competitors. Innovation is where all our attributes of speed to develop products, manufacturing scale-up and rapid commercialisation come together, propelled forward by our can-do culture. Innovation is only successful when all our capabilities combine and complement each other. In a market with unprecedented opportunities developing at pace, Novacyt is in a great position to build a sustainable long-term business.

Key activities



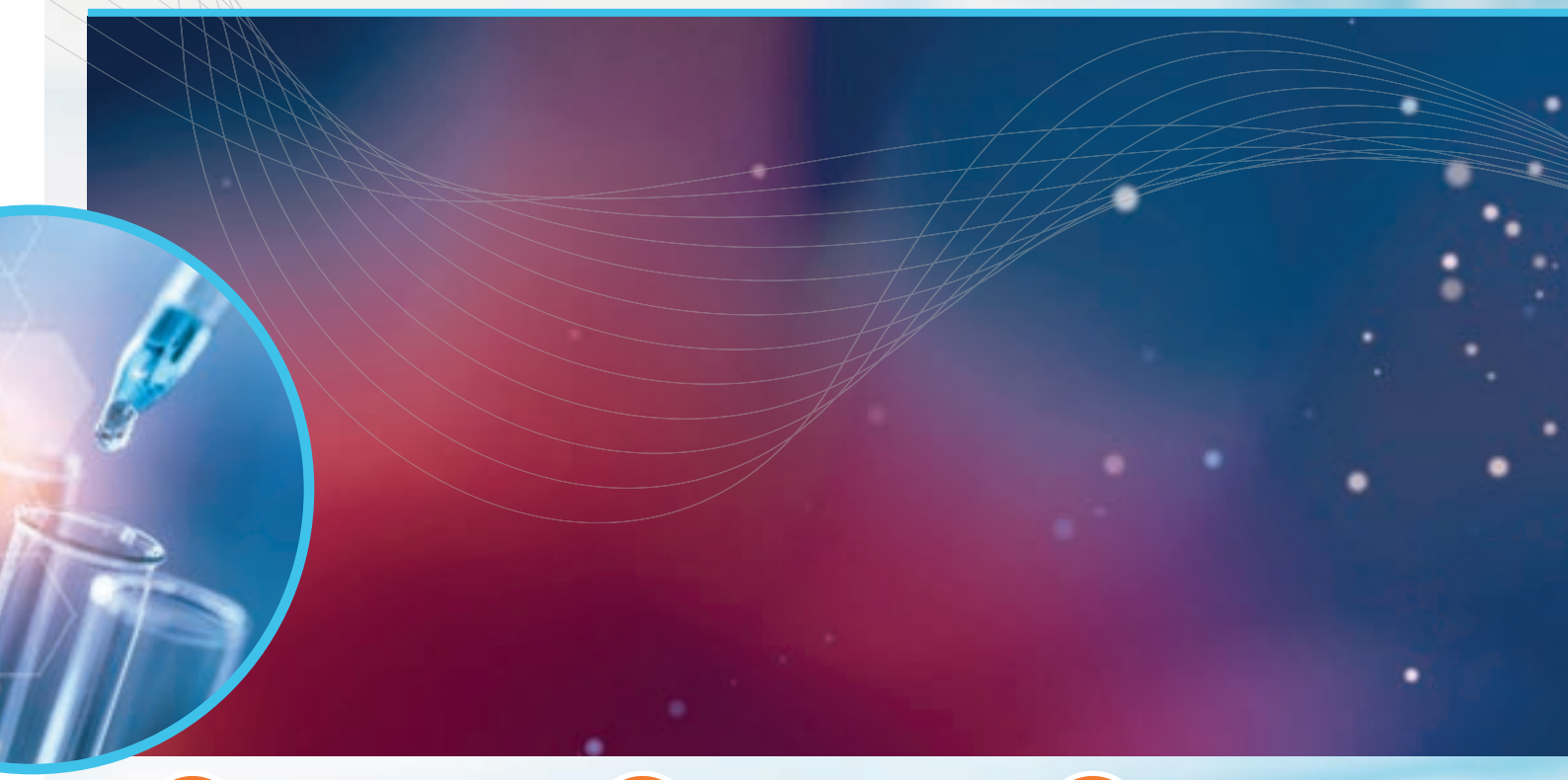
Evidencing our outcomes

The financial outcomes for 2020 show a highly profitable business that experienced extraordinary growth throughout the year. Beneath the headline numbers, we focus on specific metrics for our stakeholders:

- Sales growth of >20 times; EBITDA margin of 64%; cash position of £92 million; debt free
- 14 new products launched; over 20 patents filed
- Integration of IT-IS acquisition
- Employee increase from 110 to 237. 11% staff turnover and no reported injuries
- Implementing systems to track customer satisfaction

Business Model continued

Value for stakeholders



Patients

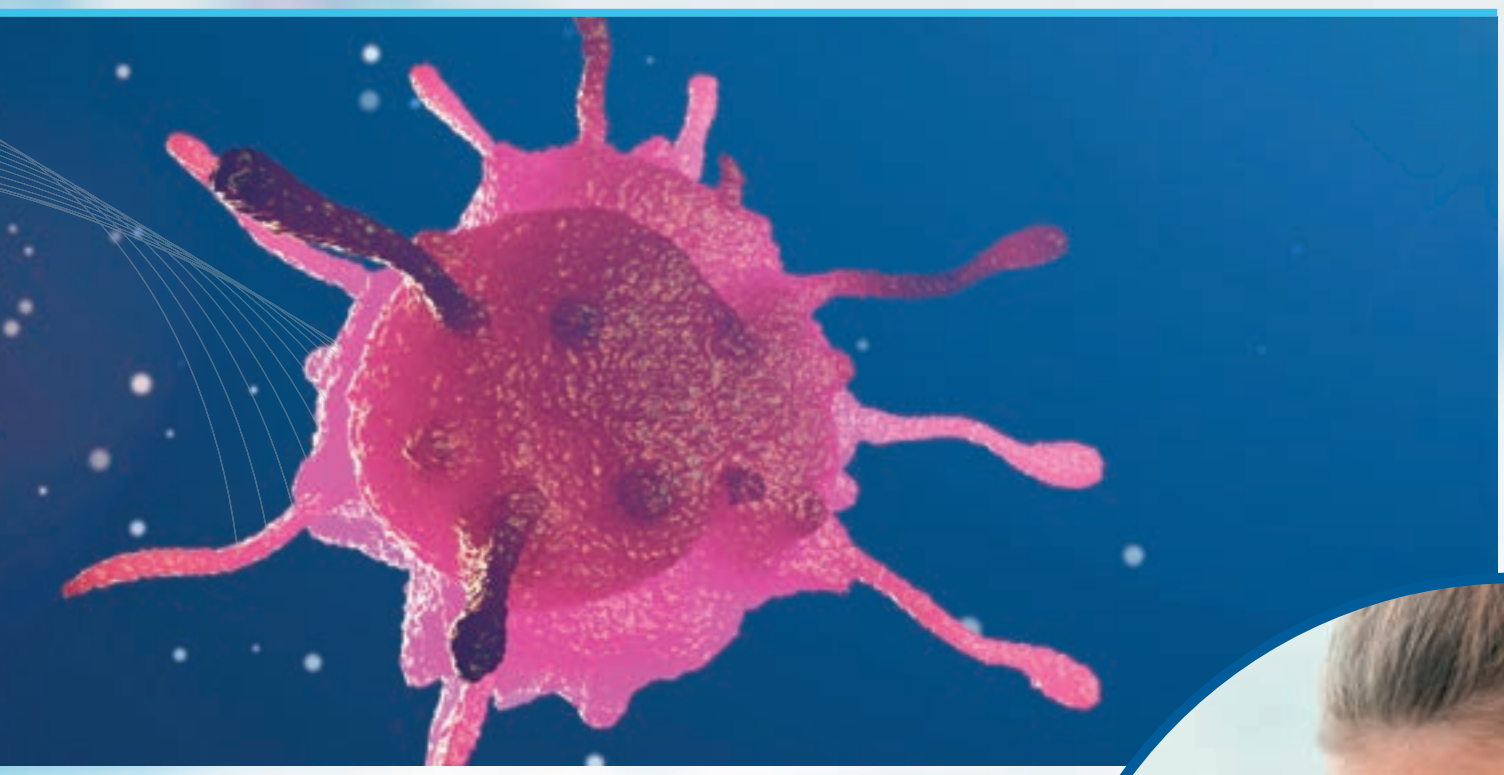
We will continue to produce testing kits that are valuable for patient management, and give pragmatic results that can influence healthcare decisions and not simply confirm clinical impressions. We commit to bring innovations to markets that can impact on the management of patients and patient care outcomes, which are influenced by both specificity and sensitivity of our kits. We are proud to have played a part in bringing COVID-19 under control and, equally, the role we have played in reopening the economy in many areas from film sets, to sporting events to fitness for travel.

Customers

Providing a full range of COVID-19 diagnostic testing kits that are continually updated to reflect latest Variants of Concern, developments on single, double, or triple gene assays and relevant delivery systems from high throughput to near patient, covering PCR, lateral flow antigen and antibody solutions. This flexibility has expanded our range of customers considerably from public hospitals and central laboratories, to private testing and mobile labs in numerous patient and user settings. We have continued to develop ways to make it easier for customers to use our products with a focus on workflow and instrumentation including the acquisition of IT-IS during the course of 2020.

Employees

We understand that our workforce is our most valuable asset that sets us apart from our competitors. We are proud of the role that our employees have played throughout the pandemic, working like many other industries in difficult circumstances. We are committed to creating an excellent working environment for our employees, promoting positive cultures and values within a safe workplace. We are also committed to diversity and inclusion, which we demonstrate through our efforts to reduce barriers to success where we aim to recruit, retain and promote the best people in our sector.



Environment

As Novacyt has grown rapidly during the course of 2020 we have also increased our focus on Environment, Social and Governance (ESG) matters. This has meant putting the reporting metrics in place to measure our carbon footprint and to create action plans to pro-actively reduce packaging, water and energy consumption. We have included a separate Sustainability report in this years Annual Report for the first time that highlights the key performance metrics and initiatives. In addition our employees have been very active on a broad social agenda, working with schools and charities to ensure we give some time and resources back to the communities we work in. This is another part of Novacyt's exciting journey and we are looking forward to accelerating our momentum throughout 2021 and beyond.

Shareholders

We are committed to creating a sustainable and profitable diagnostics business with recurring revenues, continuing to play a significant role in the fight against COVID-19 but also expanding our test menu beyond COVID-19. We will invest in expanding the footprint of our business by increasing our installed base of q16 and q32 machines, and expanding geographically, both organically and by acquisition where it makes sense to do so. We will maintain the highest standards of governance to ensure that Shareholders' rights and interests are properly considered and protected.

Building on strong foundations

Our response to COVID-19 built our reputation in the market and has grown our strategic relationships and customer base.

Read more about our **strategy** on pages 18 and 19

STRATEGIC REPORT

Chairman's Statement

Last year I started by saying that "I am writing this report in unprecedented times". This statement remains true today and despite the human difficulties associated with the incredibly challenging conditions that we have all faced over the last year, the business has undergone transformational change during 2020 and has been at the heart of providing testing capability both in the UK and in over 130 countries worldwide.

James Wakefield
Chairman

2020 highlights

- Profitable after tax for the first time in the Company's history with all senior debt repaid by H2
- Net consideration for acquisition of IT-IS after earnouts was £8.7m, 100% out of cash-flow
- Providing testing capability for COVID-19 in over 130 countries around the world

Read more on **corporate governance** on pages 36 to 56

Read more in the **financial review** on pages 26 to 29

Due to the nature of our business and our highly experienced staff, we were able to benefit from first mover advantage by developing a reliable test for COVID-19 quickly. This received worldwide recognition and approval in 57 countries and enabled us to continue to develop further products in our test portfolio as more and more strains of the virus materialised.

We rose to the challenge of significantly increasing production capacity through a massive scale up internally as well as outsourced production whilst retaining overall control of the process. In the UK, we worked in close partnership with the UK Department of Health and Social Care ("DHSC") as well as with a number of other customers worldwide. At times, weekly demand levels were greater than we had historically seen in a year.

I want to publicly thank every member of our team for their superb contribution and for going "above and beyond" what is normally expected. I also want to thank, once again, their families for making this possible. Every situation is different and I know that at one time or another, significant sacrifices have been made by everyone.

We remain focussed on the Group's profitable reagent development and manufacturing business units, which we consider to be the key long-term value drivers of the business.

At the start of 2020, the business repositioned its focus to be at the heart of supporting the global pandemic with its COVID-19 test. Our rapid

response to this latest COVID-19 virus outbreak is a testament to the Group's core competency of in-vitro diagnostic design, development, manufacturing and commercialisation, and being able to act quickly. I am extremely proud of the Novacyt team who were able to deliver this new COVID-19 test in such a short period of time for our customers who continue to need fast and reliable diagnostic solutions.

During the 2020 period under review, we generated revenues of £277m and a net profit for the first time in the company's history. By the half year point, all senior debt had been repaid and the Group continued to increase its cash reserves to have over £91m by the year end after financing the £8.7million acquisition of IT-IS. We look forward to continuing to expand into new international markets and can do this from a materially stronger financial position as a result of the exceptional performance during 2020. Regrettably, we now find ourselves in a dispute with the DHSC, our largest customer in 2020, which is explained in the financial section of this report. Overall, however, this has been a transformational year for the business and as I write this report, the valuation is over 20 times higher than it was at the start of 2020 and the business is debt free.

We are delighted to be working with Allegra Finance as our French listing sponsor, SP Angel Corporate Finance LLP as our Nominated Adviser/ Broker, and added Numis as well during 2020.

The Board has reviewed and reconfirmed its strategy to continue to focus on its core strengths of in-vitro diagnostic product development, commercialisation and contract manufacturing by driving value from our profitable Primerdesign and Lab21 businesses. It is the intention to continue to grow both organically and through selective acquisition.

We are not proposing to pay a dividend for the financial year ended 2020 so we

can invest in R&D, manufacturing and commercial aspects of the business. In the future, our dividend policy will form part of a wider review of capital allocation, which will be formulated in conjunction with the requirements for continued investment in the business for future business growth to maximise shareholder value as well as the prevailing financial conditions in the markets in which the business operates.

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

Finally, I would like to take this opportunity of thanking you, the shareholders, for your continued support, and also to thank the Board, the Executive management team and all of our staff for their commitment and contribution to the business and, in particular, to the role that Novacyt has and continues to have in testing during this global pandemic.

Revenues of
£277m
in 2020

Over
£91m
cash at end of 2020

James Wakefield

Chairman

Market Opportunity

The IVD market

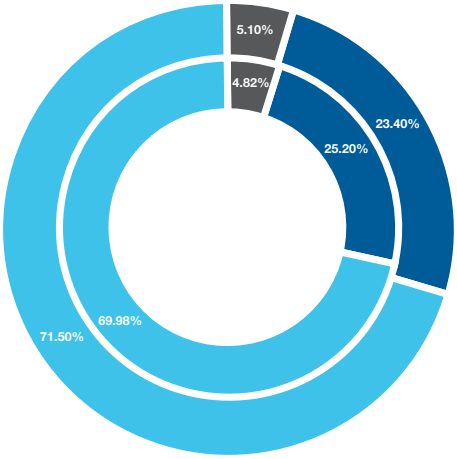
The global COVID-19 pandemic has transformed the need for early diagnosis, increasing the demand for diagnostics kits and assays to unprecedented levels. Looking forward, it is likely that we will see elevated levels of demand for years to come.

Impact analysis on the global IVD market

		1–2 Years	3–5 Years	6–10 Years
Market drivers	Adoption of rapid, minimally invasive, and non-invasive diagnostics	High	Medium/High	Medium/High
	Rise in the global geriatric population	Medium/High	Medium/High	Medium/High
	Increase in the number of patients with infectious and chronic diseases	Medium/High	Medium/High	Medium/High
	Rise in the demand for point of care testing	High	Medium	Medium
Market challenges	Uneven reimbursement scenario	Medium/High	Medium/High	Medium
	Uncertain regulatory environment	High	Medium	Low/Medium

* The table above reflects the Company's view on main market drivers.

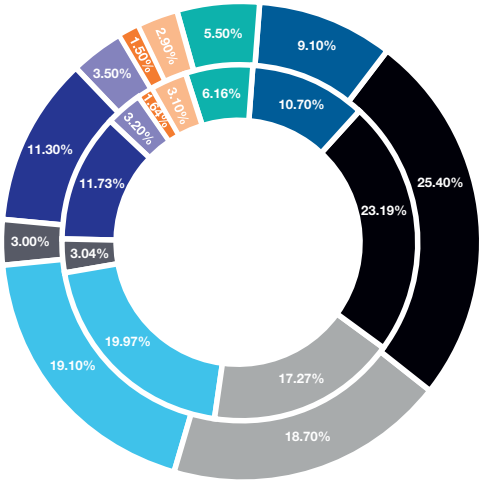
Projected diagnostics market growth[1]:



Market size in 2020 (inner): US $69.52 billion
Market size in 2030 (outer): US $113.86 billion

- Software
- Instruments
- Consumables

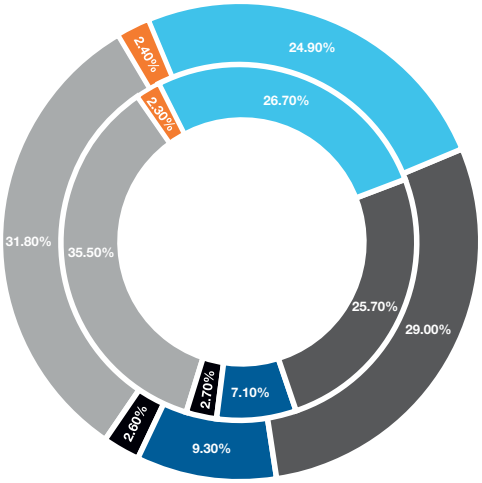
Global IVD market (by application)[1]:



Market size in 2020 (inner): US $69.52 billion
Market size in 2030 (outer): US $113.86 billion

- Diabetes
- Infectious diseases
- Oncology/cancer
- Cardiology and blood disorders
- Nephrology
- Immune diseases
- Drug testing
- HIV/AIDS
- Womens Health
- Others (blood donor screening and human antigen testing)

Global IVD market (by application)[1]:



Market size in 2020 (inner): US $69.52 billion
Market size in 2030 (outer): US $113.86 billion

- Central laboratories
- Point of care (POC)
- Clinics
- Academic institutes
- Hospitals
- Others (diagnostic centres and clinical research organisations “CROs”)

Market Opportunity continued

In vitro diagnostics ("IVD") for human clinical diagnosis is a highly fragmented, high-growth, high-margin industry with high barriers to entry as a result of the technology base of the major industry players and the regulatory environment.

The market drivers of growth include the need to provide IVD diagnostic results faster, more easily and nearer to the patient. The unprecedented demand for COVID-19 testing has fuelled these drivers and significant levels of new IVD innovation is expected to be an outcome of COVID-19.

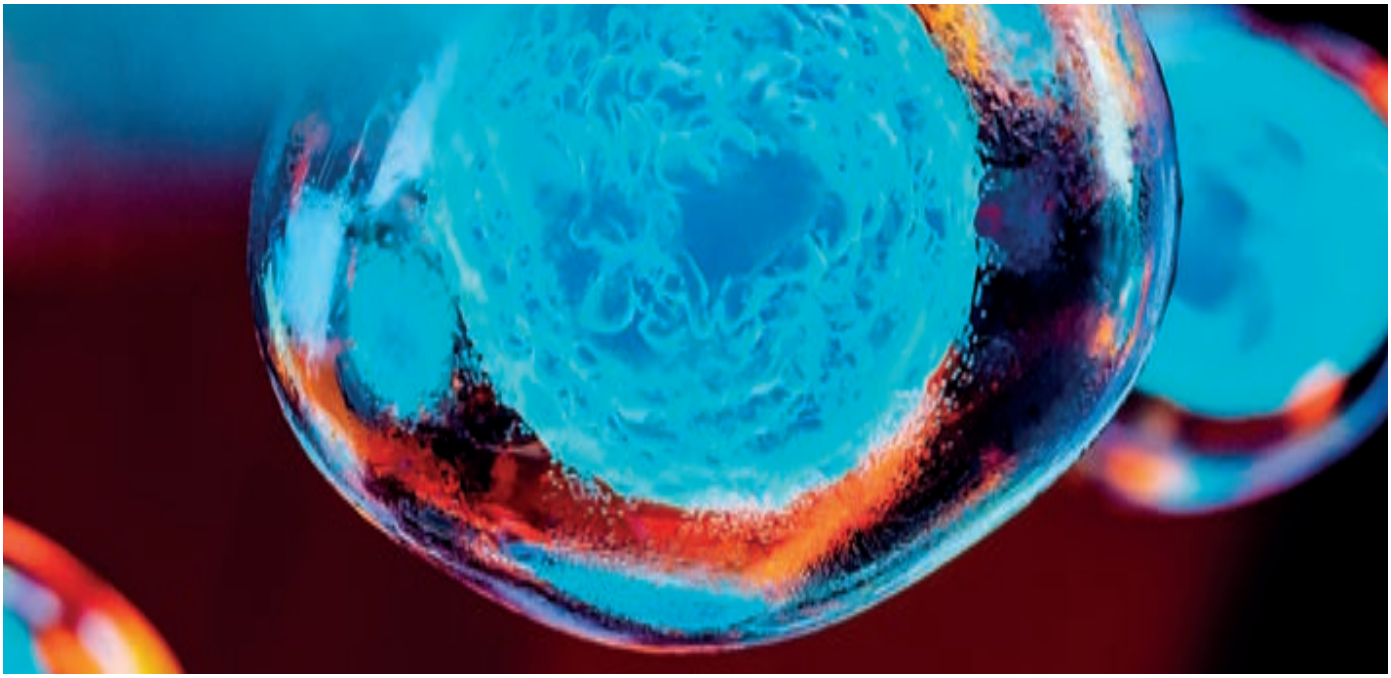
The IVD regulatory barrier is also set to increase across Europe in 2022 and other countries that rely upon the CE mark due to the introduction of the new IVDR regulations, which require Notified Body approval of more than 80% of all IVD diagnostics compared to only 20% today. In 2020, it was estimated that the global IVD market would grow at a compound annual growth rate ("CAGR") of 5.6% from 2020–25 with the estimated market size to be at US $70 billion in 2020.[1] This forecast was calculated before the full impact of COVID-19 testing was known, so the size of the overall IVD market is expected to be significantly higher than this.

The demand for molecular testing, which is regarded as the Gold standard for diagnosing infectious disease significantly increased as COVID-19 testing grew from the global pandemic. Industry players have responded to this demand by innovating and automating IVD systems for laboratories and hospitals to provide efficient, accurate diagnoses with high sensitivity and specificity.

For most of the first half of 2020, the demand for COVID-19 testing far exceeded supplies from the diagnostics industry and this forced all infectious disease focused diagnostic manufacturers to rapidly invest in the development and scale-up of COVID-19 products. As the virus continued to spread and evolve with mutations and the market needs for near patient testing, as well as central laboratory testing, IVD manufacturers have been designing kits that are easy to use, faster sample to result, and flexible enough to detect variants. As the pandemic has progressed, the market demand for lateral flow tests ("LFT"), which are considered less accurate than PCR test performance but are more convenient to use, has increased significantly as Governments wrestle with the challenge of opening up economies.

Beyond COVID-19, the prevalence of various diseases such as cancer, autoimmune diseases, and inflammatory conditions is escalating globally and is expected to boost demand for IVD, with the infectious disease segment dominating the market at 23% in 2020.[2]

To strengthen manufacturing capacities, product pipelines, and competitive differentiations, companies are rapidly acquiring capabilities through internal development, partnerships and M&A.



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[1] Market Data Forecast. Global In Vitro Diagnostics Market Size.

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[2] Grand View Research. In Vitro Diagnostics Market Size, Share & Trends Analysis Report By Product, By Application, By Technology (Immunochemistry, Molecular Diagnostics), By End-use, By Region, And Segment Forecasts, 2021 – 2027.

Available from: www.grandviewresearch.com/industry-analysis/in-vitro-diagnostics-ivd-market.

Our Strategy

Build on our success in COVID-19 testing to expand test menus in areas adjacent to COVID-19, and then into other prioritised market segments, delivery systems and geographies.

Test Menu Expansion → **Instrument Expansion**

…underpinned by compelling IVD market dynamics

Build on Novacyt reputation for quality and innovation based upon its ability to rapidly develop new diagnostic reagents. Well positioned with one of the most comprehensive research use only PCR menus in the world and over 60 CE Mark approved clinical diagnostics tests which will continue to grow through this strategy.

Test menu expansion

- COVID-19 testing - Continue to expand Novacyt's COVID-19 test menu to include additional COVID variants as they are identified and any reagent innovations which support testing efficiencies and results delivery.
- COVID-19 Plus testing - Targeted menu expansion into closely adjacent areas of COVID-19, e.g., Flu A, Flu B, biomarker monitoring to predict COVID progression / response to treatments (e.g., IFI27 biomarker for COVID-19 disease severity) to diagnose conditions in infected / recovered patients (e.g., factors related to "long COVID").
- Post-COVID testing - Addressing unmet testing needs beyond COVID-19 building on its support for established central lab customer base with high value test menus, such as pathogens resistant to antimicrobials (e.g., Carbapenemresistant Enterobacteriaceae), sepsis, transplantation (CMV, EBV, BKV) as well as building test menu for its near patient strategy.

Underpinned by our strong bioinformatics and test design expertise coupled with extensive regulatory capabilities.

The acquisition of IT-IS has provided Novacyt with a strong mid-throughput near-patient PCR testing platform with the q16 and q32 instruments which are being deployed in multiple near patient markets for use in COVID-19 testing.

- Expand placements of q16's and q32's and build out the specific test menu beyond COVID-19 based on the use-case requirements of the various placements.
- Develop multiple tests (multiplexing) leveraging the Company's core expertise in chemistry development coupled with its near patient instrumentation technology.

Geographic Expansion

- **Estimated global market size of $69.5 billion in 2020(1) with the IVD industry set to experience steady growth and continued consolidation**
- **Growing at a 5-year CAGR of 5%, with some analysts expecting IVD market to top $114 billion by 2030**
- **Aging world population**
- **Increased technological innovation**
- **Rising living standards in developing countries**
- **Industry consolidation**
- **An increase in incidence of chronic and infectious diseases**

- Follow the shift towards further decentralised testing through the development of high utility tests in areas including asymptotic infection control (e.g., Norovirus, C. Diff) sepsis differentiation meningitis and neonatal differentiation (e.g., Echovirus; Listeria).
- Further expand decentralised testing opportunities through protein based diagnostic technologies including lateral flow which will be developed, licensed or acquired by the Company.

Novacyt has invested heavily in the UK with over 40 people in sales, field support activities and marketing, which puts the Company in a strong competitive position. This direct sales model will be replicated in selected target markets overseas.

- Geographic expansion particularly with a focus in direct sales, marketing and distribution beyond the UK.
- Focus on organic and acquisition investments.
- High priority geographies include the US, Germany and other European markets.
- Targeted organic investment has already commenced in the US with the recent appointment of a US General Manager.

Q&A with CEO and CFO

Graham Mullis
Chief Executive Officer

1. How would you summarise Novacyt's performance during FY20?

The pandemic was an opportunity for Novacyt to help people across the globe. Novacyt reacted quickly in response to the COVID-19 outbreak with our expertise in R&D and innovation shining through, proving our capabilities as an international specialist in clinical diagnostics. This has transformed the business with revenues for the full year having increased by over 20x, gross margin of 76.3% and a cash balance of £91.8 million as at 31 December 2020.

2. What is the focus for Novacyt's R&D investment for FY21 and beyond?

Novacyt will continue to expand its menu of next generation COVID-19 products and closely adjacent areas along the COVID patient continuum. Beyond COVID, Novacyt will focus on addressing unmet needs with high-value test menus, such as panels to screen for pathogens resistant to antimicrobials. In parallel, Novacyt will support the shift towards decentralised testing through the development of high-utility tests in areas like infection control, sepsis differentiation, meningitis and neonatal differentiation.

3. How has the integration of IT-IS gone and what are Novacyt's future acquisition priorities?

The acquisition of IT-IS International went smoothly and provides a profitable diagnostic instrument development and manufacturing company, in line with the Group's strategy. IT-IS has established a solid reputation in development of mobile and rapid PCR instruments with proven high quality, performance and reliability, which strengthens Novacyt's position to fulfil the growing market demands for rapid near-patient testing of COVID-19, as well as other infectious diseases.

4. What was your proudest moment during 2020?

It is very difficult to answer as 2020 was a truly challenging, dynamic and transformative period for Novacyt with many 'eureka' moments throughout the year. However, one of my proudest moments was being invited by AstraZeneca, GlaxoSmithKline ("GSK") and the University of Cambridge early on in the pandemic to join them in the design, development and operating of a new COVID-19 testing operation, which was later to be sited within Cambridge University. This collaboration resulted in over 3.8 million COVID-19 PCR tests being performed to support the UK's national testing efforts and new testing work flows and test reagents being created in record time to meet the demands of the laboratory. This is a great example of how UK Life Sciences came together across sectors to work towards a common national cause.

James McCarthy
Chief Financial Officer

1. What is the strategic direction for Novacyt?

As referenced in our strategy update on pages 18 and 19, we will maintain our leadership in COVID testing whilst looking to build a sustainable future beyond COVID. We have identified specific high-value growth opportunities in the diagnostics market where Novacyt can leverage its innovative position for developing new in vitro diagnostic products. We will add new multiplex instrument technologies with rapid sample to result to support near-patient clinical decision making. We will build on our international reputation to build direct sales channels in targeted priority countries through a combination of organic investment and M&A, should suitable opportunities arise.

2. How do you think the diagnostics market will be changed by COVID-19?

First of all, we believe that the COVID-19 virus will remain a challenge for the next couple of years as we are likely to be exposed to further waves. Hopefully, vaccination will make future waves far less deadly; however, we will also see a commensurate increase in economic activity and movement of people. This will require sustained, elevated levels of testing to keep the virus under control.

Post-COVID-19, more health authorities are expected to demand fast and more cost-effective diagnostic testing. The presence of diseases such as cancer, autoimmune diseases, and inflammatory conditions is escalating globally and is expected to boost demand for IVD products, with the infectious disease segment of the market dominating at 41.8% in 2020.[1]

3. How will Novacyt compete against the established and very large international players in diagnostics?

COVID-19 has caused a rapid expansion of the overall market, which has provided us with many opportunities we did not have before. The speed and innovation of Novacyt has been a key competitive advantage in a market that has been rapidly changing as the virus changed, vaccines roll out and indeed the types of testing being used have changed. We have shown our ability to scale up our supply chain quickly and to make bolt-on acquisitions where we need to strengthen capabilities like we did with IT-IS. This is a competitive industry, and we have the utmost respect for our competitors; however, we are confident we can continue to build our business successfully.

4. Why did you decide to join Novacyt?

Novacyt is an exciting company that has made a tremendous impact in the fight against the COVID pandemic; however, it was the people behind this success that made the opportunity most attractive to me. The company has a very strong 'can-do' culture while taking care of its people and the environment in which they work, which appealed to my values. It has demonstrated its ability to rapidly develop diagnostic tools in response to an ever-changing environment and this positions the company well for future growth, both in the UK and internationally. This transition from a relatively small business to an international player is a unique opportunity, both professionally and commercially, which I find very compelling.

References:

[1] Grand View Research. In Vitro Diagnostics Market Size, Share & Trends Analysis Report By Product, By Application, By Technology (Immunochemistry, Molecular Diagnostics), By End-use, By Region, And Segment Forecasts, 2021 – 2027. Available from: www.grandviewresearch.com/industry-analysis/in-vitro-diagnostics-ivd-market.

Chief Executive Officer's Report

2020 key achievements:

- EBITDA profitability of £176 million
- All outstanding debt obligations of £7.1 million settled, making the Company debt free for the first time in its history
- Collaboration with AstraZeneca, GSK and the University of Cambridge to take action to support the national effort to fight the COVID-19 pandemic

Primerdesign Revenue £'000

£272,817

Recurring operating profit £'000

£177,837

It is with pleasure and pride that we present our progress during these challenging times in 2020. It is humbling to know that Novacyt has been making a difference to millions of people's lives and continues to be at the forefront of innovative testing during the COVID-19 pandemic. Through the successful operational and financial foundations laid down over these past few years, there is a great opportunity to build a long-term diagnostics business that continues to make a difference to people's lives and, at the same time, create long-term Shareholder value.

Graham Mullis
Chief Executive Officer

The Company experienced unprecedented sales demand for its COVID-19 products during 2020, which transformed our financial position, resulting in our Company significantly exceeding our full year 2020 budget and surpassing any previous performance. Our response to the COVID-19 pandemic has been outstanding across the entire business and this is down to our employees. I could not be more proud and humbled at how hard everyone continues to work during a difficult and challenging time across the globe. This pandemic is causing havoc with our lives and economy in ways that have not been seen since the Second World War, but Novacyt remains at the heart of the response doing our very best to help more than 130 countries diagnose and manage the spread of the virus and its variants that naturally follow.

The Group achieved an increase in revenues of over 20x to £277.2 million, with gross margin of 76.3% and EBITDA profitability £176 million for the full year of 2020. In June 2020, the Company was able to settle all outstanding debt obligations of £7.1 million in total with Harbert European Growth Capital ("HEGC") and Vatel Capital SAS ("Vatel"), making the Company debt free for the first time in its history. The Company's cash position at 31 December 2020 was £91.8 million.

In February 2020, the Company produced one of the first CE-mark COVID-19 tests for the 2019 strain of the novel coronavirus, with approval received from both the US Food and Drug Administration ("FDA") and the World Health Organization ("WHO") for the test to be eligible for procurement under the Emergency Use Listing ("EUL"). The EUL is a risk-based procedure for assessing and listing unlicensed vaccines, therapeutics and in vitro diagnostics with the ultimate aim of expediting the availability of these products to people affected by a public health emergency. This product has now received regulatory approval from 57 countries.

April was a significant milestone month for the Company. As part of the UK Government's five pillar plan to increase testing for COVID-19, Novacyt collaborated with AstraZeneca, GSK and the University of Cambridge to take action to support the national effort. Novacyt ensured an effective work-flow process for COVID-19 within a new testing laboratory set up by these partners at the University's Anne McLaren laboratory in addition to providing its COVID-19 test to generate results data.

Towards the end of April, Novacyt secured a supply contract with the DHSC to supply its COVID-19 test for an initial term of six months. This partnership reinforced Novacyt's existing support of

the UK Government's five pillar plan to increase testing for COVID-19.

The Company's biggest challenge during 2020 was, and remains to be, to develop the organisation and systems required to support scale-up of the business at an unprecedented rate. Whilst managing to retain our ability to hold onto core competitive advantages, such as speed to market, and the quality of our products, our headcount has increased by more than 100 in the last 18 months.

Manufacturing functions have seen the most change, and the largest scale-up during the past 12 months. Chartwell Consulting continue to assist Novacyt as the complexity of this function increases. Despite this, the Company continues to deliver substantial margins through low cost of goods and is continuously adapting to the pandemic with new products being introduced monthly.

Our PCR reagent manufacturing capacity remains high with capacity to scale further. The Company has a number of non-financial key metrics that management use to monitor, control and make decisions balancing demand, supply, stock levels, customer service and capacity decisions, which are reviewed weekly. Multiple QC KPIs are also reviewed weekly and a cross-functional Material Review Board ("MRB") is active and in control of manufacturing quality.

In parallel with the day-to-day management challenges in the current pandemic, Novacyt is making good progress in developing its strategic plans, which includes engaging with potential acquisition targets.

In October 2020, The Company acquired IT-IS International, a profitable diagnostic instrument development and manufacturing company for a net consideration after earnouts of £8.7m. IT-IS is the exclusive manufacturer of Novacyt's q16 and q32 rapid PCR instruments. The transaction reinforced our new strategy, securing key IP, expanding our core capabilities in instrument manufacturing and strengthening our product offering in mobile PCR devices with an immediate increase in earnings.

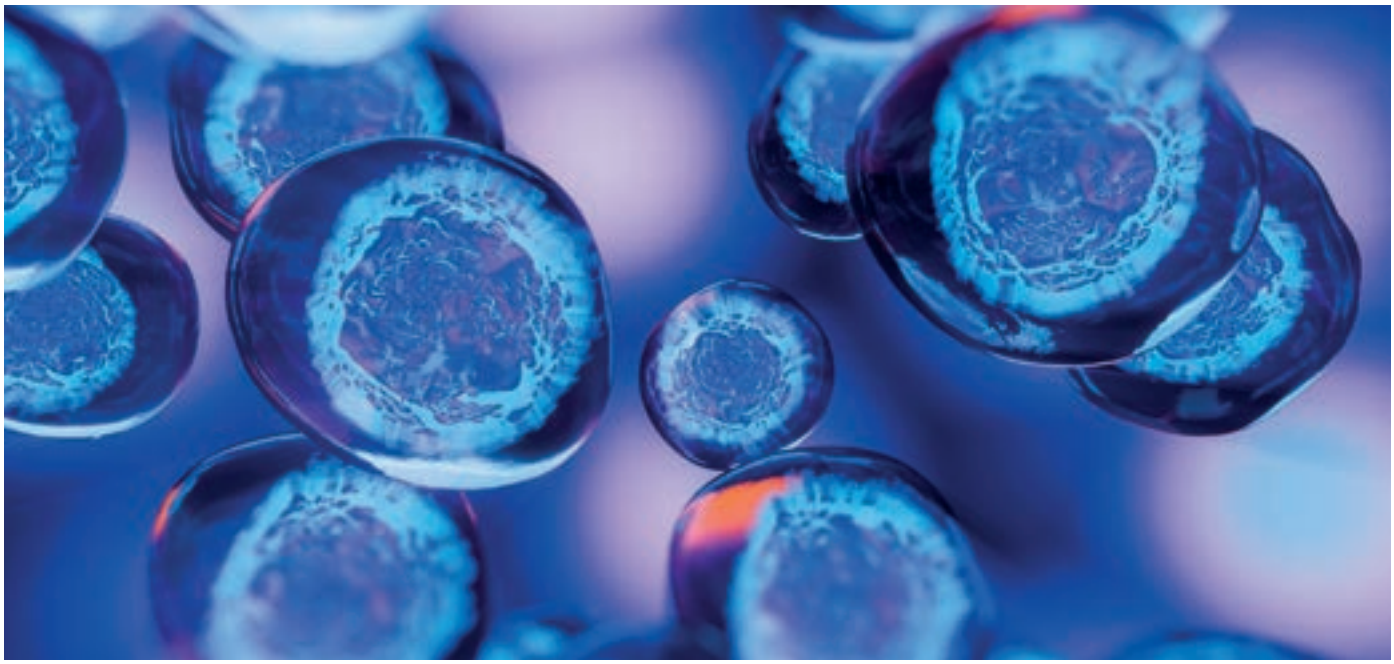
IT-IS has been an important addition to the business's capability and we now have a guaranteed supply of many thousands of q16 and q32 machines and can scale to virtually any level of capacity the business could require. The deep knowledge of PCR instrumentation that comes with IT-IS means we are well placed for the development of the next generation of machine, the planning of which has already begun.

We seek to predict and stay abreast of the fast pace of product differentiation required in the market to maintain our competitive position, and this is evident with our rapid development and launch of new Variants of Concern ("VOC") tests branded as SNPsig®. To date, Novacyt has launched over 14 new COVID-19-related products since the beginning of 2020.

In the last 12 months, the business has moved from one to three major product platforms:

i. 96 reaction genesig® product for small laboratories;
ii. PROmate® for near-patient testing; and
iii. High throughput kits for large laboratories.

All three product platforms have proven to be successful and open different



Chief Executive Officer's Report

continued

potential markets. There are a number of other exciting and potentially large new business development opportunities that could drive major increases in COVID-19 sales during the remainder of 2021.

Innovative R&D and IP

2020 was a year of agile and innovative product development. The Group's key strength is to innovatively address market needs with our products.

We were quick to respond to COVID-19, producing one of the first tests in January 2020. We maintained this pace through the year and launched new assays and work-flow solutions to build a comprehensive COVID-19 product portfolio.

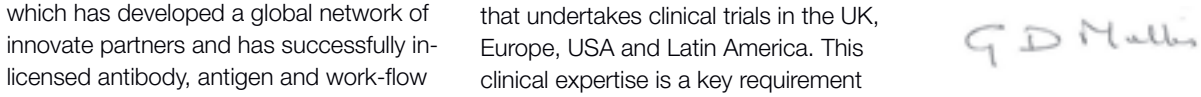
Our broad technology base covers both protein and molecular platforms and a range of testing settings: near-patient, hospital laboratory and high throughput ("HT"). Therefore, we can develop a range of PCR, ELISA and lateral flow antibody and antigen tests for near patient, central labs, HT settings that can run on many laboratory systems as well as our own q16/q32 rapid PCR systems. Our internal R&D is complemented by an expert business development function, which has developed a global network of innovate partners and has successfully in-licensed antibody, antigen and work-flow solutions.

Across the COVID-19 market, testing requirements are increasing in complexity. There is a regulatory requirement for multi-gene assays (2 and 3 gene assays) that exclude the (S and N) genes that are most prone to mutations and for suppliers to provide detailed bio-informatics surveillance. We are well positioned with an expert bio-informatics team and will continue to invest in this area especially as we develop our plans for the non-COVID-19 products.

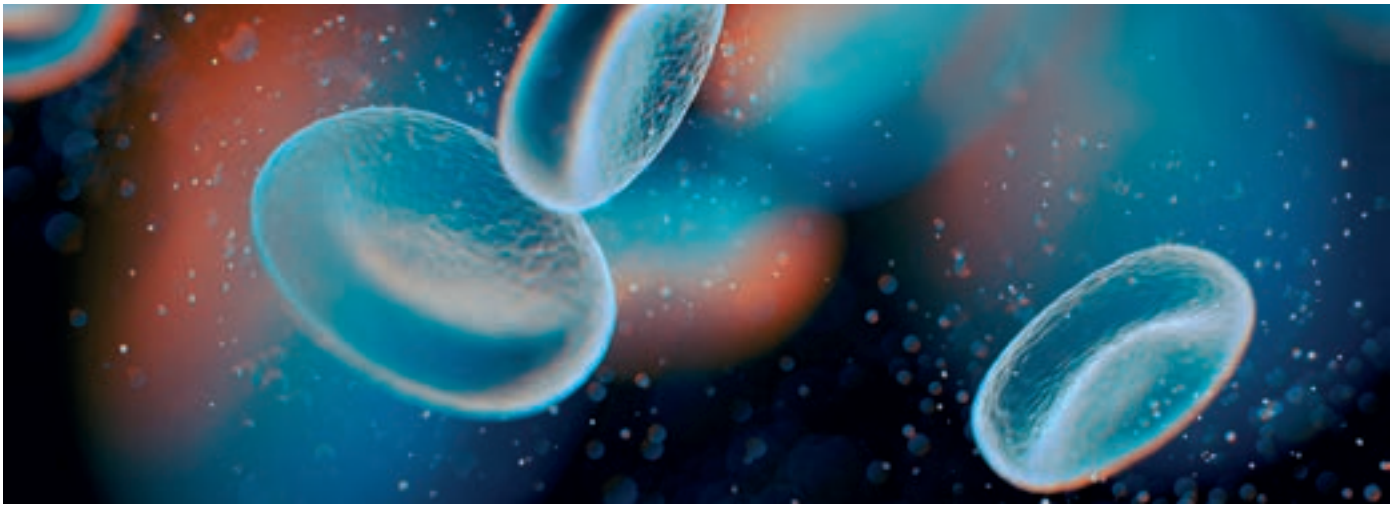
During the period, the Group developed a new patent strategy to protect our novel content with the filing of patents now being a routine part of the Group's product development process, forming a key part of protecting future value within the business.

We have filed over 20 patents to protect our proprietary assays, the q16/q32 PCR systems and work-flow innovations. This culture and practice of developing novel and cutting-edge diagnostic technology underpins the Group's continued growth and agility. As such, the R&D team has more than doubled in size and now includes a leading bio-informatics team and the Group's clinical trial function that undertakes clinical trials in the UK, Europe, USA and Latin America. This clinical expertise is a key requirement of the new IVD-R regulation and, as such, the Group has built an industry-leading team, which completed over a dozen product validations in 2020, including the successful TVG validation of PROmate®, the best-in-class direct to PCR COVID-19 assay and the recent launch of VariPLEX™, the first CE-IVD registered COVID-19 variant detection assay. The Group's clinical expertise also includes over a dozen physicians, clinical and laboratory scientists that provide real-time scientific advice. This, coupled to our leading bio-informatics and surveillance functionality, enables the Group to remain at the forefront of new diagnostic innovation.

By combining a broad technology base with an agile and innovative product development and clinical trial functionality, the Group is well positioned to rapidly address new areas of unmet need with market-leading products. The R&D outlook for 2021 is strong, with a record-breaking number of new products in development that will continue to meet the rapidly changing COVID-19 requirements and address the broader non-COVID-19 respiratory, transplant and infectious disease markets.



Graham Mullis
Chief Executive Officer



Section 172(1) Statement

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

- the likely consequences of any decision in the long term
  The Group's long-term strategic objectives, including progress made during the year, and principal risks to these objectives, are set out in the Chief Executive Officer's Report on pages 22 to 24, and in the Principal Risks and Risk Management section on pages 66 to 72 respectively.
- the interests of the Company's employees
  Our employees are fundamental to the Group achieving its long-term strategic objectives, and further disclosure on how we look after the interests of our employees is contained in Principle 3 of the Corporate Governance Statement on pages 47 to 48.
- the need to foster the Company's business relationships with suppliers, customer and others
  A consideration of our relationship with wider stakeholders and their impact on our long-term strategic objectives is disclosed in Principles 2 and 3 of the Corporate Governance Statement on pages 47 and 48.
- the impact of the Company's operations on the community and the environment
  The Group operates honestly and transparently. We consider the impact of our day-to-day operations on the community and the environment, and how this can be minimised, as more fully explained in Principle 3 of the Corporate Governance Statement on pages 47 and 48. Further disclosure on how we promote a corporate culture based on ethical values and behaviours is included in Principle 8 of the Corporate Governance Statement on pages 54 and 55.
- the desirability of the Company maintaining a reputation for high standards of business conduct
  Our intention is to behave in a responsible manner, operating within a high standard of business conduct and good corporate governance. This is explained more fully in our Corporate Governance Statement on pages 46 to 56, and is also encapsulated in our risk management framework on pages 66 to 72.
- the need to act fairly as between members of the Company
  Our intention is to behave responsibly towards our Shareholders and to treat them fairly and equally so that they may also benefit from the successful delivery of our strategic objectives.

Financial Review

It gives me great pleasure to present my first Financial Review for the Novacyt Group.

James McCarthy
Chief Financial Officer

2020 highlights

- The business finished 2020 debt free with a cash balance in excess of £90 million
- All key territories saw year-on-year growth, with UK market sales increasing to £219.4 million in 2020 vs £2.1 million in 2019
- Profit after tax of £132.4 million in 2020 vs a loss of £5.7 million in 2019

The business finished 2020 debt free with a cash balance in excess of £90 million.

Financial performance

Group revenue increased (20x) to £277.2 million), compared to £11.5 million for the full year of 2019. This was driven by the continued successful global commercialisation of the Company's COVID-19 product portfolio, underpinned by one of the world's first approved polymerase chain reaction ("PCR") tests for the virus. Primerdesign accounted for the major part of this growth achieving £272.8 million of revenue in 2020 compared with £5.5 million in 2019.

All key territories saw year-on-year growth, with the UK market seeing sales increase to £219.4 million in 2020 compared with £2.1 million in 2019, largely driven by contracts supporting the UK testing pandemic response. Sales to Europe (excluding the UK) were £32.0 million in 2020 compared with £2.7 million in 2019, driven by increased distributor sales of our range of COVID-19 tests. Sales to the Americas were £10.3 million compared £2.3 million in 2019.

Primerdesign sales grew by over 4,800% to £272.8 million, and was principally responsible for the Group's growth during 2020, due to the success of the COVID-19 product portfolio, following the launch of one of the world's first approved polymerase chain reaction ("PCR") tests in Q1 2020. All geographical regions have experienced significant growth during 2020, with the UK, Middle East, Germany and US accounting for the main revenue growth. Primerdesign has been at the forefront of the global response to COVID-19 testing requirements, selling into over 85 countries in 2020. There have been several product launches to address emerging market needs including multiple gene tests, test panels to help differentiate COVID-19 from common winter diseases and new reagents to aid PCR testing workflow for users.

Lab21 sales decreased by £0.8 million in 2020 to £5.2 million, compared with sales of £6.0 million in 2019. There is £1.9 million of intercompany sales included in the £5.2 million of Lab21 Products segment sales that are eliminated at a Group level in the consolidated Group accounts. This intercompany revenue relates to services that Microgen Bioproducts provided to Primerdesign in its manufacturing of COVID-19 kits, rather than outsourcing the task to a third party and thus diluting the gross margin. The Lab21 Products business was severely impacted in 2020 by its core customers diverting testing from veterinary and food testing to COVID-19 testing. As a result of strong partnerships built over many years, a number of Lab21 Products distributors

migrated to purchasing COVID-19 tests from Primerdesign and significant sales were generated from key Lab21 Products customers as a result.

IT-IS International sales for the period post acquisition, 15 October to 31 December 2020, totalled £6.9 million. There is £5.8 million of intercompany sales included in the £6.9 million of IT-IS International segment sales that are eliminated at a Group level in the consolidated Group accounts.

Group gross profit increased to £211.5 million in 2020 compared with £7.3 milion in 2019, giving a Group gross margin of 76.3% in 2020 compared with 64.0% in 2019. This continues the trend of increased gross margin every year since 2014, driven by Primerdesign increasing its share of Group revenue to 98% from 48% in 2019, and Primerdesign delivering a gross margin of 77% in 2020 compared with 85% in 2019, demonstrating strong control of margins as the business is scaled. During H1, Novacyt identified that it had operational capacity constraints due to its facility footprint and thus, to quickly scale the business and meet increasing demands, elements of manufacturing were outsourced. This, however, did not have a detrimental impact on the gross margin of the Group.

Group operating costs increased year-on-year by £28.2 million, to £35.4 million in 2020 compared with £7.2 million in 2019. To support the growth in the business, significant investment has been made in the workforce and headcount increased from 110 at the end of December 2019 to 237 at the end of December 2020.

The acquisition of the IT-IS International business in Q4 resulted in an additional £0.3 million of operating costs in Q4 and the effect in 2021 will be bigger as the annualised impact is seen. The main driver for the year-on-year cost increase was the Long Term Incentive Plan ("LTIP") that commenced in November 2017 and vested in November 2020, which was linked to the Company's share price.

As a result of the significant share price increase in 2020, driven by the financial performance of the business, the LTIP liability that crystallised in 2020 accounts for £19 million of the year-on-year cost increase.

The Group delivered an EBITDA of £176.1 million in 2020 compared with breakeven in 2019 (£0.2 million), driven by significantly increased sales. In 2019, the NOVAprep® business continued to be reported under IFRS 5 and is disclosed as discontinued operations in the income statement, which did not impact EBITDA.

2020 delivered recurring operating profit of £174.8 million verses a recurring operating loss of £1.1 million in 2019, delivering an improvement of over £175 million, driven by increased sales. Amortisation and depreciation remained flat year-on-year at £1.3 million in 2020, as the significant scale up in manufacturing has been largely supported by third party manufacturers rather than significant capital investments.

Total depreciation charges of £0.6 million (2019: £0.6 million) and amortisation charges of £0.7 million (2019: £0.7 million) for 2020 are consistent with 2019. The 2020 depreciation charge includes £0.3 million of IFRS 16 leasing costs, predominantly covering the rental fees for Novacyt premises.

The Group has moved from an operating loss in 2019 of £1.6 million to an operating profit of £167.4 million in 2020 and is stated after non-recurring charges amounting to £7.4 million. The 2020 charges comprise a £5.8 million impairment charge in relation to the goodwill associated with the Lab21 Products business, a £1.1 million impairment charge in relation to intangible assets associated with the Omega Infectious Diseases business and other non-recurring costs totalling £0.5 million. The other non-recurring costs include acquisition related expenses, site closure costs and other miscellaneous costs.

The Group generated a total net profit of £132.4 million in 2020, compared with a net loss in 2019 of £5.7 million, and is stated after £1.6 million of gross borrowing costs (2019: £1.0 million), other financial expenses of £0.7 million (2019: £0.9 million) and tax of £32.7 million (2019: £nil) based on the increased profit generated by the Group in the year.

2020 saw a profit per share being generated of £1.94 vs a loss per share in 2019 of £0.13, as a result of the Group delivering a total net profit for the year compared with a loss in 2019.

Post balance sheet event / DHSC Dispute

On 9 April 2021, Novacyt announced it was in dispute with the DHSC in relation to its second supply contract and made a further update on 21 May 2021. The dispute primarily relates to Q4 2020 revenue totalling £129.1m in respect of a specific product supplied to the NHS. The Company has taken independent legal advice and a provision has been made in the financial statements with the Board's estimate at this time in respect of this claim with DHSC.

The Board has formed a judgment that, in accordance with the contractual terms, and if required, it should be possible to replace the product in dispute and a product warranty provision has been made accordingly. The Board's best estimate of the cost to replace is up to a maximum of £19.8 million, the timing of any outflow is dependent on settlement of the dispute. If no settlement is achieved and legal action is required, the timing of any possible outflow will be extended.

It is possible, but not probable, that the DHSC's claim for a refund under the limited assurance warranty will be successful. The timing of any cash outflow is dependent upon the success of the claim and the terms negotiated for repayment. If the resolution of the claim is materially different from the Board's determination of replacing the product,

Financial Review

continued

the financial statements with regard to revenue and the provision for product warranty could be significantly impacted.

Of the Q4 2020 revenue, invoices amounting to £24.0 million in respect of product delivered to the DHSC remain outstanding at the date of signing the financial statements and recovery of this amount is also dependent on the outcome of the dispute. In addition, after the year-end, a further £49.0 million of product delivered and invoiced to the DHSC in 2021 remains unpaid and is now also part of the dispute. The unpaid invoices total £73.0 million and include VAT.

Balance sheet

Goodwill has increased to £17.9 million in 2020 from £13.6 million in the previous year. Goodwill totalling £9.4 million was recognised on the acquisition of IT-IS International. This has been partially offset by a reduction in Lab21 Products goodwill following the annual impairment process, where an impairment charge of £5.8 million has been recorded, reflecting a prudent view of the future expected discounted cash flows generated from the business. The remaining £0.7 million goodwill increase is due to exchange differences on balances based in Euros.

A deferred tax asset of £3.0 million has been recorded in 2020, compared with a £nil prior year balance. £2.1 million of the balance relates to the portion of the LTIP charge that is recognised by Novacyt in the UK books, but will be deducted for taxation when payments are made in 2021 and 2022. The remaining balance of £0.9 million arises from the elimination of the internal margin on products acquired by Primerdesign from Microgen and IT-IS International, and still held in stock at the year end.

Other non-current assets have increased to £6.1 million from £4.9 million in 2019. Other intangibles have increased by a net £0.6 million, but includes additions totalling £2.6 million, predominantly relating to the assets created as part of the IT-IS International acquisition (customer relationships and brands) offset by disposals (impairment of the Omega ID business intangible assets) and amortisation totalling a combined £2 million. Property, plant and equipment has increased by a net £0.8 million, and includes £1.2 million of capital expenditure offset by charges (mainly depreciation) totalling £0.4 million. The remaining £0.2 million decrease relates to the reduction in other long-term assets and financial assets.

Inventory increased in the year by £27.8 million (1,335%) to £29.9 million to support the Group's revenue growth, with significant finished goods being held in stock ready for immediate dispatch. As the lead time for obtaining some key raw materials is significant, bulk orders were placed to ensure there were no supply shortages, which also contributed to the higher inventory balance in 2020.

Trade and other receivables have increased in the year by £77.7 million (4,200%) to £79.6 million. Novacyt finished the year with strong sales in Q4 and this balance is reflective of that trading, with most of the balance being less than 30 days old. An expected credit loss provision of only £0.2 million was booked at year end, demonstrating a strong credit control process.

Other current assets have increased to £3.7 million in 2020 from £0.4 million in 2019, driven by a £3.3 million increase in prepayments. The key balances at 31 December 2020 include prepayments for annual Group commercial insurance, stock that was not delivered to Primerdesign in 2020, rent, rates and support costs.

All outstanding debt as at 31 December 2019, totalling £7.1 million, was fully repaid during 2020 using cash generated in the year. The Group is now debt free and the closing 2020 balance is £nil.

The contingent consideration balance increased from £nil in 2019 to £1.8 million in 2020 as a result of the two earnout milestones associated with the IT-IS International acquisition. It will be settled in two payment tranches, due in September 2021 and 2022, upon the achievement of certain deliverables.

Short-term provisions increased to £19.9 million in 2020 from £0.04 million in 2019. A product warranty provision for £19.8 million has been booked in 2020 to cover management's view of the maximum cost of replacing products after receiving notification of a product warranty claim.

Trade and other liabilities increased to £36.8 million in 2020 from £3.9 million in 2019. Trade payables and accrued invoices have increased by £10.7 million in line with increased trading activity. In addition, the improved Group liquidity position has meant that credit facilities have been secured with many suppliers who previously did not offer such terms. The closing year end Value Added Tax ("VAT") liability payable to HMRC in the UK, covering the months of November and December, has increased by £16.7 million from 2019. The other key increase for £5.6 million is for the second tranche of the LTIP payment that is due to be paid in November 2021.

Corporation tax due at the end of 2020 totalled £15.1 million from £nil in 2019, which reflects the UK corporation tax liability of the Group. The amount represents the tax due at the full UK rate (19%) on taxable profits, although in due course, if patents are granted and a Patent Box claim is made, future taxable profits should be taxable at a much lower rate.

Other long-term liabilities relates to the third tranche of the LTIP payment that is due to be paid in November 2022. The closing 2020 balance was £5.6 million, from £nil in 2019.

Cash flow

Cash has increased to £91.8 million in the year from £1.5 million in 2019, driven by the strong trading performance of the business. Net cash generated from operating activities increased to £103.0 million in 2020 driven by the EBITDA profitability of the business of £176.1 million offset by working capital expenditure of £73.2 million.

Net cash outflow from investing activities increased to £8.0 million in 2020 from £1.0 million in 2019. £6.9 million of the 2020 balance is due to the net cash consideration paid for IT-IS International, where the cash paid in 2020 totalled £11.6 million less the £4.7 million cash acquired. Capital expenditure increased year-on-year to £1.1 million in 2020, to support the growth in the business, this being less than 1% of revenue.

Net cash outflow from financing activities in 2020 totalled £5.0 million vs a net inflow in 2019 of £2.5 million. The 2020 cash outflow was primarily due to Novacyt paying down all outstanding debt as at 31 December 2019. Debt repayments covering capital and interest, totalled £6.2 million, a short-term financing facility was repaid in full totalling £0.7 million, lease payments of £0.3 million were made and these outflows were offset by a net cash inflow from the conversion of warrants totalling £2.2 million.

James McCarthy
Chief Financial Officer

Group revenue £'000

£277,204

for 2020

(2019: £11,468)

Group gross margin £'000

£211,500

for 2020

(2019: £7,340)

Group EBITDA £'000

£176,145

for 2020

(2019: £174)

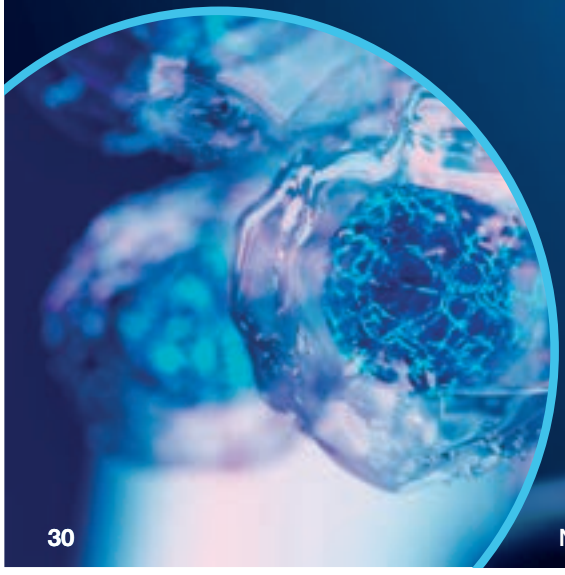
Sustainability

As Novacyt has grown, we have also increased our focus on Environment, Social and Governance ("ESG") matters. We are pleased to share initial ESG data in this Annual Report and will continue to develop our approach over time. Environment and Social information is covered in this section, while our overall approach to Governance is addressed on page 46.

Environment: Measuring our impact

Streamlined Energy & Carbon Reporting

The section across includes Novacyt's first year of reporting under the new Streamlined Energy & Carbon Reporting requirements.
The reporting period is the same as the Company's financial year, 1 January 2020 to 31 December 2020.



Organisation boundary and scope of emissions

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

An operational control approach has been used in order to define the organisational boundary. This is the basis for determining the Scope 1, 2 and 3 emissions for which Novacyt is responsible, and includes emissions from Novacyt's two operational facilities:

- In October 2020, Novacyt acquired IT-IS International, manufacturer of its q16 and q32 instruments. For the purpose of this year's baseline, we have excluded IT-IS from the organisational boundary for the year ending 31 December 2020. The IT-IS acquisition will be adequately reflected in the subsequent reporting cycle for the year ending 31 December 2021;
- We have included Microgen Bioproducts Ltd and Lab 21 Healthcare Ltd ("Microgen"), based in Camberley, UK; and
- Primerdesign, based in Southampton, UK.

The emissions sources that constitute the Company's operational boundary for the year ending in 31 December 2020 include:

Scope 1

Scope 1: energy use and related emissions from Novacyt's fuel combustion (gas) and operation of facilities;

Scope 2

Scope 2: energy use and related emissions from electricity purchased for Novacyt's own use; and

Scope 3

Scope 3: energy use and related emissions from business travel in rental cars or employee-owned vehicles where Novacyt is responsible for purchasing the fuel.

Methodology

For reporting purposes, Novacyt has employed the services of a specialist advisor, to quantify and verify the Greenhouse Gas ("GHG") emissions associated with Novacyt's operations.

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

- the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (the "WBCSD/WRI GHG Protocol");
- application of appropriate emission factors to Novacyt's activities to calculate GHG emissions;
- Scope 2 reporting methods – application of location-based emission factors for electricity supplies;
- inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO_2e; and
- presentation of gross emissions as Novacyt does not purchase carbon credits (or equivalents).

Total energy use

The total energy use for Novacyt for in the year ending 31 December 2020 was 582,158 kWh.

This represents a 70% increase in total energy use compared to the year ending 31 December 2019 (343,325 kWh). The increase in total energy use in 2020 relative to 2019 can largely be attributed to the significant scale-up of operations and production in response to the COVID-19 pandemic.

	2019[4]			2020		
	Microgen Lab21	Primer-design	Total	Microgen Lab21	Primer-design	Total
Gas	13,530	32,226	45,756	18,653	42,144	60,797
Electricity	230,060	67,510	297,569	296,498	224,863	521,361
Transport	–	–	–	–	–	–
Total	**243,590**	**99,736**	**343,325**	**315,151**	**267,007**	**582,158**

Absolute emissions

The total Scope 1, 2 and 3 GHG emissions from Novacyt's operations in the year ending 31 December 2020 were 132.73 tonnes of CO_2 equivalent (tCO_2e), using a 'location-based' emission factor methodology for Scope 2 emissions.

This represents a 57% increase in total emissions compared to the year ending 31 December 2019 (84.5 tCO_2e). As with total energy use, the increase in total emissions in 2020 relative to 2019 can largely be attributed to the significant scale-up of operations and production in response to the COVID-19 pandemic.

References:

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

[2] Scope 3 is an optional reporting category under the Greenhouse Gas Protocol. For emissions disclosure purposes, the operational boundary for Scope 3 emissions has been defined in accordance with UK SECR guidelines, in compliance with legal emissions disclosure responsibilities under the Companies and Limited Liability Partnerships Regulations 2018.

[3] All emission factors sourced from the UK Government conversion factors for company reporting of greenhouse gas emissions for the years 2019 and 2020.

[4] The Company has used estimates in some instances to establish 2019 baseline.

[5] Data obtained from fuel consumption (gas) bills for each of Novacyt's two sites for the years 2019 and 2020, expressed in kWh.

[6] Data obtained from direct electricity consumption bills for each of Novacyt's two sites for the years 2019 and 2020, expressed in kWh.

[7] Data obtained from business travel in rental cars or employee-owned vehicles where Novacyt is responsible for purchasing the fuel. Novacyt does not purchase fuel for business travel or employee-owned vehicles, as such transport emissions are not applicable based on the defined organisational boundary.

Sustainability
continued

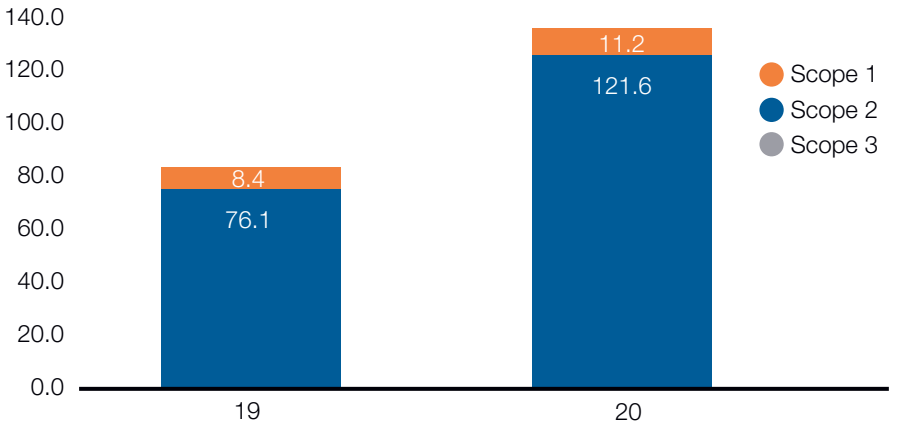
COVID-19 impact

The COVID-19 pandemic has had a substantial impact on Novacyt's year-end performance due to the increased sales of the Company's market-leading polymerase chain reaction ("PCR") COVID-19 test. The volume of orders for the Company's COVID-19 product portfolio and the Company's new strategy implemented to continue growth trajectory, and consolidate performance through broadening focus on respiratory and transplant clinical diagnostics has been transformational for Novacyt, delivering sales growth of more than 2,300%. To meet the unprecedented demand for the Company's PCR test following its launch, Novacyt initiated a programme to significantly scale-up the organisation. This included increasing the Company's production capacity at the Primerdesign site in Southampton, UK. The increase in total emissions in 2020 relative to 2019 can largely be attributed to the significant scale-up of the organisation to support laboratories and clinicians in the fight against the spread of COVID-19.

Figure 1.2 Absolute emissions (tCO_2e)

	2019			2020		
	Microgen Lab21	Primer-design	Total	**Microgen Lab21**	**Primer-design**	**Total**
Scope 1[8]	2.5	5.9	8.4	3.4	7.7	11.2
Scope 2[9]	58.8	17.3	76.1	69.1	52.4	121.6
Scope 3[10]	–	–	–	–	–	–
Total	**61.3**	**23.2**	**84.5**	**72.6**	**60.2**	**132.8**

Figure 1.1 Breakdown of emissions by scope (tCO_2e)



References:

[8] Scope 1 data calculated by multiplying total fuel consumption (gas – kWh) by the UK Government GHG Conversion Factor for natural gas (kWh [Gross CV]) defined for the given year (2019: 0.18385 kg CO_2e/kWh; 2020: 0.18387 kg CO_2e/kWh).

[9] Scope 2 data calculated by multiplying total electricity consumption (kWh) by the UK Government GHG Conversion Factor for electricity generated defined for the given year (2019: 0.2556 kg CO_2e/kWh; 2020: 0.23314 kg CO_2e/kWh).

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

Intensity ratios

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

The intensity metrics based on floor area in the year ending 31 December 2020 was 45.4 kg CO_2e per m^2. The employee number metric in the year ending 31 December 2020 was 961.8 kg CO_2e per FTE using the location-based method.

Table 1.3 Intensity ratios

	2019		2020	
	kg CO_2e/FTE[12]	kg CO_2e/m^2 [13]	kg CO_2e/FTE	kg CO_2e/m^2 [15]
Scope 1	73.8	2.9	81.0	3.8
Scope 2	667.2	26.0	880.8	41.6
Scope 3	–	–	–	–
Total GHG emissions	**741.0**	**28.9**	**961.8**	**45.4**

Energy efficiency actions undertaken

Novacyt has taken a number of actions to increase the business's energy efficiency in the year ending 31 December 2020, focused on:

i. Reducing absolute energy consumption through capital investment projects; and
ii. Reducing energy consumption per unit output through scaling up production (economies of scale), increasing asset utilisation, and increasing automation.

Principal actions reported have had a direct impact on the energy efficiency related to Scope 1 and Scope 2 emissions, as defined by the Company's operational boundary for the year ending in 31 December 2020. For increased transparency in emissions disclosure reporting, additional information has been provided on actions impacting the energy efficiency related to Scope 3 emissions despite falling outside the Company's operational boundary.

References:

[11] Number of FTE equivalents calculated based on total headcount from Novacyt operations, adjusted to remove discontinued operations (2019) and the IT-IS International Ltd acquisition made in October 2020.

[12] Number of FTE equivalents in 2019 was 114.

[13] Number of FTE equivalents in 2020 was 138. FTE increase can be attributed to the significant scale-up of the organisation during the COVID-19 pandemic, including the addition of a number of new hires across operations.

[14] Building area in 2019 was 2,923 m^2.

[15] Building area in 2020 was 2,923 m^2.

Sustainability
continued

Details of relevant energy efficiency actions can be found in Table 1.4 below. Resulting energy savings from the actions listed have not been quantified.

Table 1.4 Energy efficiency actions

Principal actions (Scope 1 and Scope 2)		Additional information (Scope 3)
Energy efficiency action **Reduced energy consumption (absolute)**	**Energy efficiency action** **Reduced energy consumption (per unit output)**	**Energy efficiency action** **Reduced transportation across the value chain**
• **Capital investment projects** Novacyt has invested in new equipment to reduce energy consumption, including new heat sealers in kitting and LED light fittings with light sensors at the Company's two operational facilities (Microgen/Lab21 and Primerdesign).	• **Improved energy efficiency through economies of scale** Novacyt has increased manufacturing capacity to meet demand without expanding the Company's real estate footprint, leading to increased output relative to overhead energy consumption. • **Increased asset utilisation** Novacyt has improved asset utilisation efficiency by optimising manufacturing batch size, adopting more efficient practices, and scaling up asset size commensurate with the ramp up in operations. • **Increased automation** Dispensing methods were moved from manual methods to automated methods to increase labour efficiency.	• **Reduced global transportation** RNase-free water production has been brought in-house, displacing the need for RNase-free water procurement from North America. • **Reduced road transportation** Newly localised manufacturing and storage has reduced the need for movement between sites.

Managing waste

Novacyt's manufacturing process generates very low levels of non-hazardous and hazardous waste. This is an area of the manufacturing operations that will receive more focus in 2021 as we introduce more rigorous measurement and a more comprehensive set of waste reduction measures.

Reducing packaging

- **Improved packaging**
  New packaging features more sustainable materials. This includes a change from foil pouches and foam inserts to recyclable lightweight card and plastic bags with direct printing in place of standard labels.
- **Improved product design**
  New PROmate® design features less plasticware, pipettes, PPE, and laboratory decontamination materials to reduce end-to-end consumables. New laser-etched barcodes have replaced standard labels to reduce material usage.
- **Reduced waste**
  Novacyt has taken action to reduce single-use waste by increasing the materials reused and recycled through the Company's operation. This includes an updated anti-contamination procedure to move from single-use disposable lab coats to reusable lab coats, and implementation of a standard recycling practice across all sites using recycling bins, compactors, and third-party recycling organisations.
- **Improved product design**
  The exsig® direct to PCR and PROmate® product streamline process for the end user and reduce the need for downstream energy intensive processing stages.

Social: supporting our people and wider society

At Novacyt, we take pride in how our work positively impacts people's global health, most recently with our products in the front line of the fight against COVID-19. Our employees are at the heart of what we do, and their hard work and dedication were critical to our success in 2020. We also actively look for ways to support wider society.

Employees

Diversity and inclusion

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

In 2020, Novacyt's workforce was 52% female, and 53% of managers were women. There are five Non-Executive Board members: one white female and four white males.

Pay gap analysis

Novacyt's Company headcount in 2020 was fewer than 250, and so was below the threshold to conduct pay gap analysis; this will be reviewed as the Company continues to evolve.

Health and safety

At Novacyt, we have a clear policy on health and safety. Employees are provided with health and safety training, and protective clothing and other equipment if required. Novacyt complies with the OHSAS 18001 standard.

In 2020, no injuries were reported at work.

Employee turnover and growth

Novacyt's workforce expanded in 2020 due to the rapid growth of the business. The number of full-time equivalents rose from 110 in 2019 to 237 in 2020. The unplanned turnover rate was 11%.

Whistleblower protection

Novacyt complies with the Employment Rights Act 1996, which provides protection for workers who 'blow the whistle' in the public interest and has a policy for employees to follow.

Anti-bribery

Integrity and transparency are of the utmost importance to Novacyt and we expect everyone connected with our business to comply with the highest ethical standards. We have a zero-tolerance approach to bribery and corrupt activities of any kind, whether committed by employees or by third parties acting for or on behalf of the Company.

Training

We have launched a management development programme for all employees with people management responsibility. We have also launched a sales training programme for all sales employees. In addition to these group training programmes, individuals are supported with ad hoc training courses as and when required, to enable them to fulfil their role, e.g. bio-safety training, and we support employees who wish to undertake professional qualifications.

Supporting communities and wider society

Charitable giving

At Novacyt, we believe in contributing to communities where we operate, and we have made donations to various charities and schools in the Camberley, Southampton and Middlesborough areas. As a result of the Company's growth in 2020, a fund has been established to support a range of charitable initiatives.

To support efforts to tackle the COVID-19 pandemic in Africa, Novacyt is working in partnership with non-governmental organisations such as Unicef and the World Health Organization to provide tests. Primerdesign signed a 12-month long-term agreement with UNICEF in July 2020 and supplied COVID-19 qPCR testing kits to Nigeria, Tunisia and Palestine throughout the financial year.

An internationally diversified Board

The Directors present their Report together with the audited financial statements for the year ended 31 December 2020. The Corporate Governance Statement on pages 46 to 56 also form part of the Directors' Report.

GOVERNANCE

It is my pleasure to present our Corporate Governance Statement for the year ended 31 December 2020.

James Wakefield
Chairman

The Board of Directors

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 chairman of WestBridge Capital LLP of which he was a founder partner in 2008. He previously spent 18 years at Bridgepoint (previously NatWest Equity Partners) and, prior to that, spent four years at NatWest Markets/NatWest Investment Bank. He is also Chairman of the Nomination Committee and 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, VisionTec and Lab21. He also founded a pharmaceutical licensing company, 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 and Physiology from Southampton University, UK, and an MBA in Business Administration from Warwick Business School, UK.

James McCarthy

Chief Financial Officer

James joined the Group as Chief Financial Officer in January 2021. He has over 30 years of finance experience in international businesses in both consumer and B2B and in both private equity and publicly listed companies. During his career, he has led large-scale transformation initiatives both organic and supported by M&A. He has also held general management roles, which gives him broad commercial experience and a strong appreciation for effective business partnership. He is a Fellow of the Association of Chartered Certified Accountants. James was appointed Chief Financial Officer of Novacyt in January 2021 and will be proposed for election as a Director of the Company at the next AGM, due to be held in September 2021 when he will replace Anthony Dyer on the Board.

Anthony Dyer

Chief Corporate Development Officer

Anthony joined the Group in 2010, and was Chief Financial Officer from January 2017–2021, before taking on a new role as Chief Corporate Development Officer at the beginning of 2021. He has over 20 years of experience in healthcare, pharmaceuticals and medical devices, working primarily with growth companies and executing capital raising and M&A. Transactions executed include Novacyt's acquisitions of Primerdesign and IT-IS International, and 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, UK. He is a Fellow of the Association of Chartered Certified Accountants.

The Board of Directors

continued

Juliet Thompson

Independent Non-Executive Director

Juliet has 20 years of experience working as an investment banker and strategic advisor to healthcare companies in Europe. She has built a strong track record of advising companies on corporate strategy, equity and debt fundraisings and international M&A. Her experience includes senior roles (managing director, head of corporate finance and partner) at Stifel Financial Corp, Nomura Code Securities and WestLB Panmure. Juliet sits on the board of Vectura, an industry-leading device and formulation business for inhaled products, Indivior PLC, a U.K. listed global pharmaceutical company working to develop medicines to treat addiction and Organox Ltd, a private company that was spun out of Oxford University.

Juliet is also a trustee of Leadership through Sport & Business, a social mobility-focused charity, and trustee of the De Hann family trusts and director of their associated investment companies.

She is a member of the Institute of Chartered Accountants in England and Wales (ACA) and holds a BSc degree in Economics from the University of Bristol, UK.

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

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 Senior Independent Director for Novacyt since 2015, he is also currently chairman of TauC3 Biologics Ltd. He served as Chairman of Shield Therapeutics plc from 2016-2018 and as a non-executive director of Oxford Biomedica plc from 2010-2021.

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.

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

Edwin Snape, PhD

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 founder of NMT Capital (a successor of Nexus) and continues to serve as one of its senior advisors. He is also a senior advisor 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 Indonesia Growth Fund, a private equity fund based in Indonesia. Early in his career, he founded the Liposome Company, which listed and was later sold to Elan Corporation. 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, UK. Ed is a member of the Remuneration Committee.

Jean-Pierre Crinelli

Independent Non-Executive Director

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

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

Jean-Pierre is a member of the Audit Committee.

The Executive team

Graham Mullis
Chief Executive Officer

James McCarthy
Chief Financial Officer

Anthony Dyer
Chief Corporate Development Officer

Paul Eros
Chief Business Officer

Trevor Reginald
Chief Technology Officer

Guillermo Raimondo
Chief Commercial Officer

David Franks
Chief Human Resources Officer

Nick Plummer
General Counsel and Company Secretary

Mandy Cowling
Corporate and Investor Relations Manager

Steve Gibson
Group Finance Director

Lisa Henriet
Group Operations Director

Navin Nauth-Misir
QA/RA Director

Directors' Report

General information and principal activity

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

Review of business

The Chairman's Statement on page 12, the Chief Executive Officer's Report on page 22 and the Strategic Report on pages 12 to 35, provide a review of the business, the Group's trading for the year ended 31 December 2020, key performance indicators and an indication of future developments and risks, and form part of this Directors' Report.

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

Future developments

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

Results and 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 recommend a dividend at present. In the future, the Company's dividend policy will form part of a wider review of capital allocation, which will be formulated in conjunction with the requirements of the business.

The Directors will only recommend dividends when appropriate, and they may, from time to time, revise the Company's dividend policy. No dividends will be proposed for the financial year ended 31 December 2020 so we can invest in R&D, manufacturing and commercial aspects of the business.

Directors

The Directors of the Company who served during the year ended 31 December 2020, and up to the date of this Report are listed below.

The brief biographical details of the currently serving Directors are set out on pages 36 to 41.

Director	Capacity
James Wakefield	Non-Executive Director and Chairman of the Board
Graham Mullis	Chief Executive Officer
Anthony Dyer	Chief Corporate Development Officer
Juliet Thompson	Independent Non-Executive Director
Dr Andrew Heath	Independent Senior Non-Executive Director
Dr Edwin Snape	Independent Non-Executive Director
Jean-Pierre Crinelli	Independent Non-Executive Director

James McCarthy, Chief Financial Officer, will be proposed for election as a Director of the Company at the next AGM due to be held in September 2021 when he will replace Anthony Dyer on the Board.

Directors' interests

The Directors' interests in the Company's shares and the Novacyt LTIP are shown in the Directors' Remuneration Report on pages 58 to 61.

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

Directors' Report
continued

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 a number of small charitable donations during the reporting period, in addition to creating a charity committee responsible for organising larger charitable donations during 2021.

Financial instruments – risk management

The Group's financial risk management policy is set out in note 44 to the financial statements.

Share capital structure

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

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

Movements in the Company's issued share capital during the year under review are set out in note 31 to the financial statements.

As of 31 December 2020, the Company's share capital of €4,708,416.54 was divided into 70,626,248 shares with a par value of 1/15th of a Euro each.

Major interests

As at 31 March 2021, the Company had been notified of the following significant shareholdings of approximately 3% and 4% of the issued share capital of the Company:

Shareholder	Number of shares held	Percentage of issued shares
Vatel Capital	2,952,681	4%
BlackRock Inc	2,085,368	2.95%

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 that takes effect, alters or terminates upon a change of control of the Company other than the Directors' service contracts, details of which are set out in the Remuneration Report.

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

The Directors are mindful of their statutory duty to act in a way they each consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, as set out in the s172(1) statement on page 25. A review of the Group's approach to developing and maintaining relationships with its wider stakeholders, and the impact on the Group's long-term strategic objectives, is set out under Principle 3 of the Corporate Governance Statement on pages 46 and 56.

Significant post-balance sheet events

On 9 April 2021, Novacyt announced it was in dispute with the DHSC in relation to its second supply contract and made a further update on 21 May 2021. The dispute primarily relates to Q4 2020 revenue totalling £129.1m in respect of a specific product supplied to the NHS. The Company has taken independent legal advice and a provision has been made in the financial statements with the Board's estimate at this time in respect of this claim with DHSC.

Of the Q4 2020 revenue, invoices amounting to £24.0m in respect of product delivered to the DHSC remain outstanding at the date of signing the financial statements and recovery of this amount is also dependent on the outcome of the dispute. In addition, after the year-end, a further £49.0m of product delivered and invoiced to the DHSC in 2021 remains unpaid and is now also part of the dispute. The unpaid invoices total £73.0m and include VAT.

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 June 2022. 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 2020 of £91,765,000;
- payment of the second tranche of the LTIP that commenced in November 2017;
- payment of the first earn-out milestone related to the IT-IS International acquisition; and
- Management's confidence in settling the outstanding commercial dispute as per note 50 in the Group accounts.

The forecast prepared by the Company shows that it is able to cover its cash needs during the financial year 2021 and until June 2022 without the raising of any banking or other financing facility.

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 they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held in September 2021, further information can be found on the companies website at www.novacyt.com.

James McCarthy
Chief Financial Officer

An introduction from the Chairman

James Wakefield
Non-Executive Director
and Chairman of the Board

Dear Shareholders,

As Chairman of Novacyt S.A., it is my responsibility to lead the Board to ensure that the Group has in place the strategy, people, structure and culture to deliver value to Shareholders and other stakeholders of the Group over the medium to long term. Due to the massive growth and resulting changes that the Group experienced during 2020, we have had to make a number of changes to reflect the larger business we are today. This has included improving various processes/ systems and recruiting new staff members including strengthening and reshaping the Executive team and the Board. There are two matters to note relating to this:

- Anthony Dyer has taken on the role of Chief Corporate Development Officer and James McCarthy has been recruited as Chief Financial Officer. Subject to Shareholder agreement at the AGM, James will join the Novacyt SA Board and Anthony will step down at that time. I would like to put on record my thanks to Anthony for all his hard work as CFO.
- Good governance dictates that Non Executive Directors can only serve for a finite term and therefore during 2021 we will need to find a replacement for Edwin Snape who has been involved with the company (in its various guises) for over 10 years. This will also ensure compliance with French regulation concerning the proportion of Directors over the age of 70. I would like to thank Ed for the contribution he has made and the support he has provided over the years.

A number of new internal control procedures and positive actions have been implemented and finalised, whilst other areas for improvement continue to be identified. On behalf of the Board, I am, therefore, pleased to present our Corporate Governance Statement for the year ended 31 December 2020.

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

It is the responsibility of the Board to ensure that the Group is managed for the long-term benefit of all Shareholders and stakeholders, with effective and efficient decision making. Corporate governance is an important aspect of this, reducing risk and adding value to our business. As individual Directors, we are mindful of our statutory duty to act in the way each of us considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, as set out in our s172(1) statement on page 25.

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

James Wakefield
Non-Executive Director and
Chairman of the Board

QCA principles

Deliver growth

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

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

The Board has established a strategy and business model which seek to promote long-term value for Shareholders and the business is focused on three strategic pillars of growth:

- Organic growth
- Innovative R&D
- Acquisition

A fuller explanation of how the strategy and business model are executed is set out on pages 18 and 19 of the Strategic Report.

2. Seek to understand and meet Shareholder needs and expectations

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

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

The Company receives occasional feedback direct from investors, which is carefully considered by the Board, with appropriate action being taken where the Board believes it in the interests of Shareholders to do so. None of the feedback received from investors has involved non-compliance with the QCA Code.

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

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

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

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

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

It was important for us to look after our employees during 2020 as they are keyworkers and the majority had to come into work during lockdown. We continued to pay employees who had to shield, self-isolate or take time off for childcare. We also introduced a bonus to recognise that our employees were working particularly hard during these challenging times. At the end of 2020, we introduced a COVID-19 screening programme, using our tests, to prevent the spread of Coronavirus amongst the workforce. During this time, we reminded our employees of the Employee Assistance Programme, which provides 24/7 support for any issues they were facing during this time, particularly with mental health challenges, relationship issues, etc.

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

QCA principles
continued

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

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

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

Health 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 Employee Handbook issued to all employees upon commencement of employment within the Group. 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 and drugs policy; smoking policy; and COVID-19 in the workplace.

The Group is not aware of any orders made in respect of a breach of health and 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. Manufacturing facilities operate to the current revisions of ISO 13485:2016 and ISO 9001:2015 as applicable.

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

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

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

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

- an independent review of internal controls was completed in 2020;
- a regular review of the Group's insurance policies with its insurance broker to ensure that the policies are appropriate for the Group's activities and exposures;
- a comprehensive system for consolidating financial results from Group companies and reporting these financial results to the Board;
- reviewing cash flow, annual revenue and capital forecasts regularly during the year, along with regular monitoring of management accounts and capital expenditure reported to the Board and comparisons with forecasts;
- financial controls and procedures, including in respect of bank payments, bank reconciliation's and petty cash;
- monthly review of outstanding debtors;
- regular meetings of the Executive team; and
- an Audit Committee that approves audit plans and published financial information and reviews reports from the external Auditor arising from the audit and deals with significant control matters raised.

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

Risk management is focused around the operational areas of the Group. The Group has a dedicated 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.

Details of the principal risks currently facing the Group and how they are mitigated are set out on pages 66 to 72.

The Board confirms that it has, during the reporting period, reviewed on an ongoing basis the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems and has reviewed insurance provisions. No significant failing or weaknesses have been identified.

Maintain a dynamic management framework

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

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

To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board and Committee meetings. All Directors have access to the advice and services of the Chief Financial

QCA principles
continued

Officer and the Company Secretary, who are responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

In between Board meetings, the Executive Directors maintain regular informal contact with the Non-Executive Directors. Whilst the Board retains overall responsibility for, and control of, the Group, day-to-day management of the business is conducted by the Executive Directors, who meet with the senior management team on a weekly basis.

Board of Directors

The composition of the Board during the period is summarised in the table on page 43 of the Directors' Report. As at the date of this Report, the Board comprises seven members, of which five are Non-Executive Directors, all of whom are independent, namely James Wakefield, Andrew Heath, Dr Ed Snape, Juliet Thompson and Jean-Pierre Crinelli.

Independence of Directors

The Directors acknowledge the importance of the principles of the QCA Code that recommend that a company should have at least two independent non-executive directors. The Board has, therefore, considered and determined that, since the date of their respective appointments, James Wakefield, Dr Andrew Heath, Dr Ed Snape, and Juliet Thompson were, and continue to be, independent of the Executive management and free from any relationship that could materially affect the exercise of their independent judgement.

At the time of the AIM listing, Jean-Pierre Crinelli's role had just changed to that of a Non-Executive Director. At that time, the Board did not consider him independent as he was previously an Executive Director of the Company and one of the founders of the NOVAprep® business. The Board now considers Jean-Pierre Crinelli to be an Independent Non-Executive Director. It has reached this view following the sale of NOVAprep® by the Company in 2019, and because he has now been a Non-Executive Director for over five years, and has demonstrated his independence over that period through his questioning at Board meetings. All other Non-Executive Directors are considered independent for the purpose of the QCA Code, as none have beneficial or non-beneficial shareholdings in the Company exceeding 3%, nor have an existing tenure of more than 12 years. Dr Ed 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% Accordingly, Dr Ed Snape is considered by the Directors to be independent for the purposes of the QCA Code.

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

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

Time commitments

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

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

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

If considered appropriate, the Board may authorise 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.

Attendance at Board and Committee meetings

The Directors meet at least ten 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 16 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	16/16	–	2/2	–
Graham Mullis	16/16	–	–	–
Anthony Dyer	16/16	–	–	–
Dr Andrew Heath	16/16	5/5	2/2	9/9
Dr Edwin Snape	16/16	–	–	9/9
Jean-Pierre Crinelli	16/16	5/5	–	–
Juliet Thompson	16/16	5/5	2/2	9/9

QCA principles
continued

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

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

The skills and experience of the Board are set out in their biographical details on pages 38 to 41. The experience and knowledge of each of the Directors gives them the ability to constructively challenge the strategy and to scrutinise performance. The Board also has access to external advisors where necessary. Neither the Board nor its Committees sought external advice on any significant matter during the reporting period.

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

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

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

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

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

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

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

Board evaluation

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that Board evaluation is a useful tool for enhancing a Board's effectiveness. As a matter of course, alongside the annual evaluation, the Chairman routinely assesses the performance of the Board and its members and discusses any issues, problems or shortcomings with the relevant Director(s). Likewise, the Senior Independent Director reviews the performance of the Chairman.

It is not an AIM requirement for an external Board appraisal to be undertaken; however, in view of the significant growth experienced by the Company during 2020 and its growth plans for the future, the Board intends to appoint an external third party to undertake an independent review of the Board and its operations. The report will seek input from all Board members both in the form of a questionnaire and one-to-one interviews covering:

- the themes from the questionnaire;
- the assessment of the Director's individual performance; and
- feedback on Board colleague's individual performance.

In addition, the independent review will have access to certain historic non-confidential/price sensitive Board packs and other information.

Final feedback will be in the form of a full report for internal use. It is intended that this includes an Executive summary and key findings, together with a detailed analysis of the responses to the questionnaire and anonymised comments made in response to the questionnaire and during the interviews. The report will also include recommendations for consideration together with benchmarking against best practice.

The aim of the review is to ensure that the Board contains the necessary skills to enable it to be satisfied that:

- the Board continues to meet its regulatory requirements and ensures that appropriate processes are in place for setting the strategic direction of the Group;
- each Committee continues to be effective and that all members were considered to have made valuable contributions, and individual Directors continue to perform effectively; and
- feedback will be provided through the Chairman to individual Board members.

QCA principles
continued

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

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

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

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

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

The Group believes that it has robust policies and procedures for combating bribery and corruption. A copy of the Group's Anti-Corruption and Bribery Policy can be found on the Group's website www.novacyt.com.

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

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

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

The Board reserves for itself a range of key decisions to ensure that it retains proper direction and control of the Group, and a formal schedule of matters reserved for decision by the Board has been adopted by the Board since admission to AIM; a copy of which can be found at www.novacyt.com. Such matters include business strategy and management, financial reporting (including the approval of the annual budget), Group policies,

QCA principles
continued

corporate governance matters, major capital expenditure projects, material acquisitions and divestments and the establishment and monitoring of internal controls. This schedule may be updated by the Board and approved by the Board only. The day-to-day management of the business has been delegated to the Chief Executive Officer and the wider Executive team.

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

Board Committees

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

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

Audit Committee

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

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

Remuneration Committee

The Remuneration Committee is chaired by Dr Andrew Heath, and reviews the performance of the Executive Directors, and determines their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee meets at least twice a year. Dr Ed Snape and Juliet Thompson are the other members of the Remuneration Committee.

The Directors' Remuneration Report and details of the activities and responsibilities of the Remuneration Committee are set out on pages 58 to 61.

Nomination Committee

The Nomination Committee is chaired by James Wakefield, and identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee meets at least once a year. Dr Andrew Heath and Juliet Thompson are the other members of the Nomination Committee.

Details of the activities and responsibilities of the Nomination Committee are set out on page 57.

Build trust

10. Communicate how the Company is governed and is performing

As explained earlier in this Corporate Governance Statement, the Board has established a Nomination Committee, an Audit Committee and a Remuneration Committee. The work of each of the Board Committees undertaken during the year ended 31 December 2020 is detailed on pages 57 to 65.

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

The results of the votes received in relation to the 2020 AGM and EGM are available on the Company's website. All resolutions were passed at the 2020 General Assembly and no resolution had a significant proportion (>20%) of votes cast against them at that meeting.

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

Nomination Committee Report

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

James Wakefield acts as Chairman of the Nomination Committee and its other members are Juliet Thompson and 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 that promotes the protection of the interests of stakeholders and compliance with the requirements of the AIM Rules.

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

Directors' Remuneration Report

Dr Andrew Heath
Chairman of the Remuneration Committee

As Chairman of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2020.

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 and vested in 2020.

Dr Andrew Heath
Chairman of the Remuneration Committee

Remuneration Committee

Key responsibilities

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

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

Composition and meetings

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

Only members of the Remuneration Committee have the right to attend meetings, but other Directors and external advisors may be invited to attend all or part of any meeting as and when appropriate. No Director may be involved in discussions relating to their own remuneration.

The Remuneration Committee meets as appropriate but not less than twice a year. During the period, the Remuneration Committee met nine times. Details of meeting attendance are shown in the table in the Corporate Governance Statement on page 51.

1. 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 that it deems necessary including the relevant legal and regulatory requirements and corporate governance guidelines. The Remuneration Committee also takes into account emerging best practice and guidance from major institutional Shareholders. The objective of the Company's remuneration policy is to attract, retain and motivate individuals of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders.

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

The Remuneration Committee, when setting the remuneration policy for Executive Directors, also has regard to the pay and employment conditions across the Group, particularly when conducting salary reviews.

The main elements of the remuneration packages of the Executive Directors are as follows.

Basic annual salary and pension

Basic salary is reviewed annually by the Remuneration Committee, usually in February, and takes into account a number of factors, including the current position and progress of the Group, individual contribution and market salaries for comparable organisations.

The Company makes contributions into the private pension schemes of the Executive Directors.

Discretionary bonus

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

The Novacyt LTIP 2017 to 2020

The Board of Novacyt established and adopted an LTIP scheme on 17 October 2017 as an alternative to more standard long-term incentive plans. Due to the complexities of being a French incorporated company with a UK-based management, it proved difficult at the time of admission to establish a standard equity-based long-term incentive plan.

Executive Directors and certain senior employees of the Group were eligible to participate in the Novacyt LTIP.

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

Remuneration Committee

continued

These Phantom Awards were subject to performance or other conditions so that the Phantom Awards would not vest unless any such condition(s) had been satisfied or waived. Any performance conditions were objective and determined by the Board before Phantom Awards were granted.

The Phantom Awards vested on the third anniversary of the date of grant, that being 1 November 2020, upon performance condition(s) applying to the Phantom Award being met. On the Vesting Date, the amount of the award was calculated with the final amount being 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 had vested.

Performance during the term resulted in full vesting of the LTIP awards granted in November 2017. The Remuneration Committee believes this vesting outcome is reflective of the strong performance of the Company. However, both Graham Mullis and Anthony Dyer took a voluntary 23% and 18% respectively decrease in their award. The voluntary decrease was agreed by management with the Board and some of this reduction is being used to support the Company's charitable donation programme for 2021, which is described on page 35. The exact sums paid are reflected in the remuneration table on page 60.

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

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.

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 2020 was as follows:

	Year ended 31 December 2020					Year ended 31 December 2019			
	Basic salary and fees	Bonus	Pension	LTIP	Total	Basic salary and fees	Bonus	Pension	Total
Executive Directors									
Graham Mullis	**322,263**	**264,341**	**20,327**	**8,204,196*** **	**8,811,127**	265,188	45,000	17,369	327,557
Anthony Dyer	**175,868**	**65,922**	**8,873**	**2,905,650*** **	**3,156,313**	168,300	15,000	8,690	191,990
Non-Executive Directors									
Jean-Pierre Crinelli*	**35,767**	**–**	**–**	**–**	**35,767**	26,300	–	–	26,300
James Wakefield	**90,000**	**–**	**–**	**–**	**90,000**	55,000	–	–	55,000
Andrew Heath	**43,875**	**–**	**–**	**–**	**43,875**	40,000	–	–	40,000
Juliet Thompson	**43,875**	**–**	**–**	**–**	**43,875**	40,000	–	–	40,000
Edwin Snape**	**28,053**	**–**	**–**	**–**	**28,053**	23,492	–	–	23,492

* Salaries paid in Euros and disclosed in GBP, translated at the average exchange rate of 1.125107 in 2020 (2019: 1.140645).
** Salary paid in USD and disclosed in GBP, translated at the average exchange rate of 1.28360 in 2020 (2019: 1.276989).
*** 1/3 received in 2020, the following two payments are deferred with payments in 2021 and 2022.

Directors' shareholdings and share interests

The interests of the Directors who served during the year in the share capital of the Company as of 31 December 2020, 31 December 2019 and the date of this report were as follows:

	As at the date of report	31 December 2020	31 December 2019
Graham Mullis and family	122,506	122,506	52,138
Anthony Dyer	16,839	16,839	16,839
James Wakefield	36,839	36,839	16,839
Dr Andrew Heath and family	20,000	20,000	16,839
Dr Edwin Snape	17,919	17,919	16,839
Jean-Pierre Crinelli	30,773	30,773	15,333
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 2017 to 2020

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
Graham Mullis	1,129,930	1,129,930	–
Anthony Dyer	376,643	376,643	–

These Phantom Awards vested at the closing price on the Vesting Date, having met the performance condition that the closing price of a Share, averaged over 30 consecutive dealing days prior to the Vesting Date, exceeded €0.66 per share, being the Placing Price upon admission to AIM

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

Audit Committee Report

Juliet Thompson
Chair of the Audit Committee

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

The Group's external Auditor is Deloitte LLP. Under French law, the mandatory term for auditors is six years. Deloitte LLP was reappointed as external Auditor during the AGM held in 2018 and has now been the Auditor for nine years at the end of the audit of the annual accounts for the year ended 31 December 2020.

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

The Audit Committee and the Board have been satisfied with the performance of the external 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. 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 47 to the financial statements.

Audit Committee Report
continued

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 51.

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 2019;
- Consideration and approval of the unaudited interim financial statements for the period ended 30 June 2020;
- 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 2020;
- Approval of the audit fees for the financial year ended 31 December 2020;
- 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.

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 pages 62 to 65.

Internal audit

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

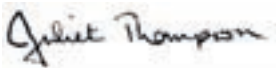
Going concern

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

The going concern model covers the period up to and including June 2022. 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 2020 of £91,765,000;
- Payment of the second tranche of the Long-Term Incentive Plan ("LTIP") that commenced in November 2017;
- Payment of the first earn-out milestone related to the IT-IS International acquisition; and
- Management's confidence in settling the outstanding commercial dispute as per note 50 in the Group accounts.

In the event the current dispute is fully settled in favour of the counterparty, the forecast prepared by the Group shows that it is able to cover its cash needs during the financial year 2021 and until June 2022 without the raising of any banking or other financing facility. Approved by on behalf of the Board.



Juliet Thompson
Chair of the Audit Committee

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 product obsolescence. Better resourced competitors may be able to devote more time and capital towards the R&D process, which, in turn, could lead to scientific and/or technological breakthroughs that may materially alter the outlook or focus for markets in which the Group operates. In addition, a certain number of the Group's competitors may have significantly greater financial and human resource capacity and, as such, better manufacturing capability or sales and marketing expertise. Competitors could also resort to price discounting or other sales and marketing strategies. Equally, new companies with alternative technologies and products may also emerge.
Geographic markets	The Group is largely based in the UK, and its products are distributed to and sold across multiple jurisdictions. In each of these jurisdictions, there may be a number of associated risks in respect of which the Group will have no, or limited, control. These may include: contract renegotiation, contract cancellation, economic, social or political instability or change, hyperinflation, currency non-convertibility or instability, and changes of laws affecting foreign ownership, taxation, working conditions, rates of exchange, exchange control and licensing.

Product development	Additional products and services developed through the element of the Group's strategy focused on R&D transformation will be required to drive the Group's growth, 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 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.

Principal Risks and Risk Management

continued

Acquisition strategy	A core part of the Group's strategy is to undertake acquisitions that are strategically complementary to its existing businesses. The success of such a strategy will depend on the Group's ability to identify potential targets, complete the acquisition of such targets on favourable terms, including securing appropriate financing, and to generate value from the acquired targets. This strategy may not be successful under all or any market conditions. The Group may not be able to acquire targets on attractive terms or to generate resulting returns for Shareholders and prospective investors.
Litigation and arbitration	From time to time, the Group may be subject to litigation arising from its operations, distribution and sales. Damages claimed, awarded, settled or paid under any litigation or arbitration may be material or may be indeterminate, and the outcome of such litigation or arbitration may have a material adverse effect on the Group's business, financial condition, capital resources, results and or future operations. Please refer to Note 50 of the accounts regarding the ongoing DHSC dispute.
Key personnel	The Group depends on the services of its key personnel, which includes a number of individuals some of whom are currently on a short notice period of three months or less. The Group's ability to manage its R&D and product development activities, wider operations and financing will depend in large part on the efforts of its key personnel. The loss of services of key personnel, the inability to attract, retain and integrate suitably qualified personnel or delays in hiring required personnel, could delay the achievement of the Group's objectives and strategy.
Tenders	A proportion of the Group's revenues stem from tenders awarded to the Group and it is not possible to control and/or predict the outcomes of these tender processes. The success of such tender awards is based upon the ability of the organisation or country to finance tenders, and then it is based upon the historical performance, price and quality of the competitors who have been invited to participate in the tender process. The Group may not be successful in future tender processes. The failure to gain new business through the award of tender contracts may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.
Regulatory environment	The Group's products are subject to various laws, regulations and standards in each of the jurisdictions in which products are manufactured and distributed. These laws, regulations and standards may change and, if the Group fails to meet those regulatory or other requirements, it could face delays or prohibitions on the operation of its business. The Group's ability to conduct business is predicated on being in compliance with all licence requirements as specified by each relevant jurisdiction. The Group may not continue to hold all of the necessary consents, approvals and licences required to conduct its business, and where new permissions are required, these may be delayed or not forthcoming. If any new approvals or licences are required in order for the Group to carry on its business, the Group could face delays or prohibitions on the development, manufacture, sale or distribution of its products, which may have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.

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). There are a limited number of notified bodies available to IVDD manufacturers, which reflects a risk that the industry may not be ready when the new IVDR regulations to come into force. 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 cost of compliance or the up-classification of products and the increased scrutiny by notified bodies. The IVDR will apply to any products sold in Europe even though the UK has left the EU. The UK, in turn, is applying its own regulatory regime to IVDDs, which will involve applying a UK certification mark for any products sold in the UK and this increases the regulatory burden.
Employment laws	The Group is also subject to various UK, 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 R&D, product development, sales, production, stock control, distribution, and accounting and finance. The Group's business would be adversely affected by a material or sustained breakdown in its key computer and communication systems. In addition, the Group may face online security breaches, including hacking and vandalism. The Group cannot guarantee absolute protection against unauthorised attempts to access its information technology and communication systems, including malicious third-party applications that may interfere with or exploit security flaws in its products and services.

Principal Risks and Risk Management

continued

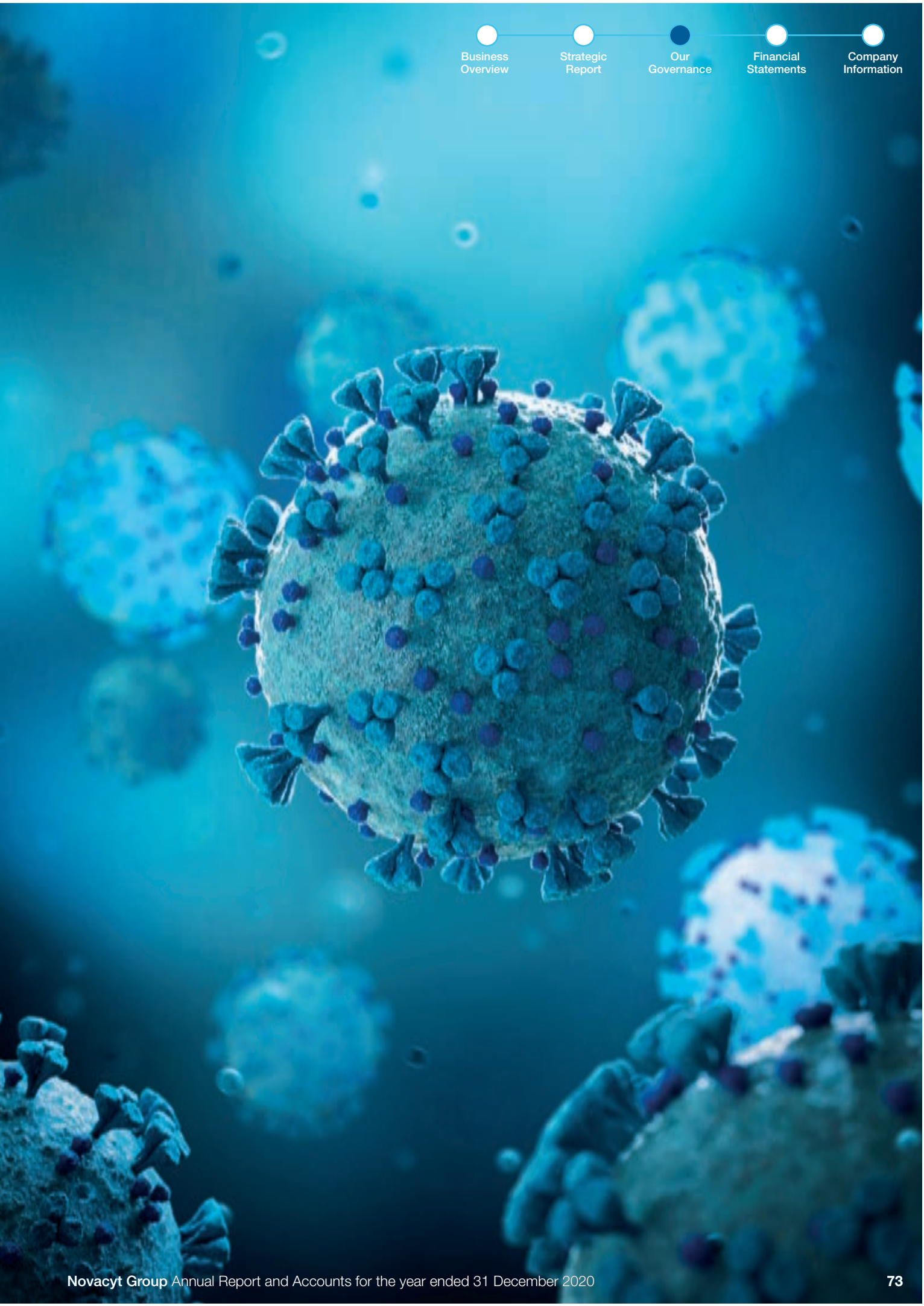
Brexit	On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). Following Royal Assent of the European Union (Withdrawal Agreement) Act on 23 January 2020 and ratification of the Withdrawal Agreement by the European Parliament on 24 January 2020, the UK left the EU on 31 January 2020 and became a third country with a transition period running to 31 December 2020. As the IVDD regulations apply to all products placed on the market, we still need to comply with IVDD and IVDR but as we are now considered a non-EU manufacturer, we have to appoint a European Authorised Representative based in the EU, make labelling changes and register our products with an EU Competent authority. This adds cost and complexity to selling in Europe. In addition, the UK Government has decided not to recognise CE marking after 2023 and will require IVDDs placed on the UK market to undergo a regulatory process that duplicates the CE marking process, with a separate registration in the UK and the application of a UKCA mark adding further cost and complexity.
Protection of intellectual property rights	The Group's ability to compete depends, in part, upon the successful protection of its intellectual property, in particular its patents, trademarks, know-how and trade secrets. The Group seeks to protect its intellectual property through the filing of worldwide patent and trademark applications, as well as robust confidentiality obligations on its employees (and any contractors). Despite these precautions that may be taken by the Group to protect its intellectual technology and products, unauthorised third parties may attempt to copy, or obtain and use, its technology and products. A third party may infringe upon the Group's intellectual property, release information considered confidential about the Group's intellectual property and/or claim technology that is registered to the Group. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its intellectual property, or block sales of its products by alleging a breach of their intellectual property. Applications filed by the Group in respect of new patents and trademarks may also not be granted. The Directors intend to defend the Group's intellectual property vigorously through litigation and other means.

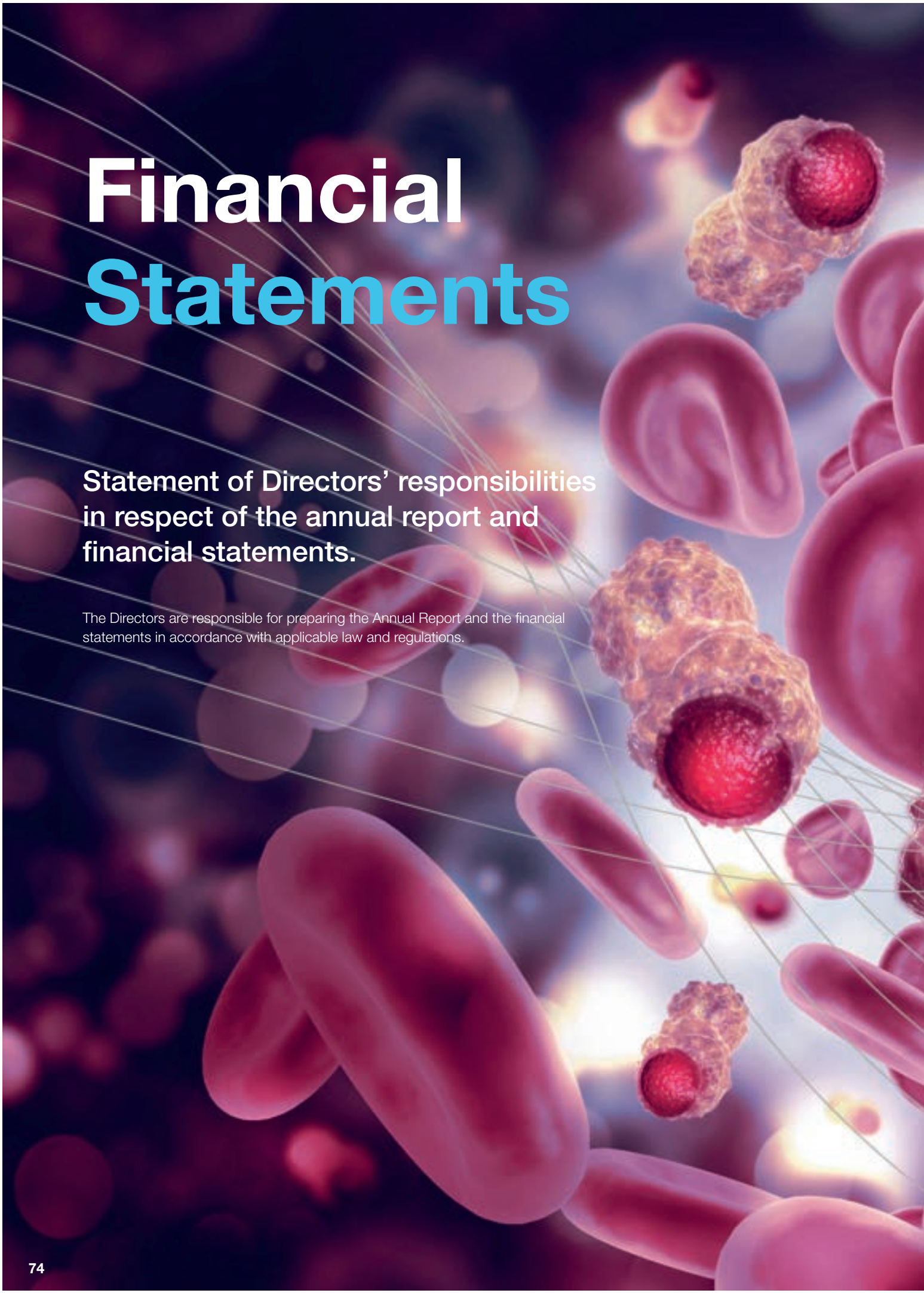
Infringement of third-party patents and other intellectual property rights	The Group's products may infringe or may be alleged to infringe existing patents or patents that may be granted in the future, which may result in costly litigation and could result in the Group having to pay substantial damages or limit the Group's ability to commercialise its products. If the Group is sued for patent infringement, the Group would need to demonstrate that its products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and the Group may not be able to do this. If the Group is found to have infringed a third-party's patent, the Group could be required to obtain a licence from such third party to continue developing and marketing its products and technology or the Group may elect to enter into such a licence in order to settle litigation or in order to resolve disputes prior to litigation. However, the Group may not be able to obtain any required licence on commercially reasonable terms or at all. Even if the Group is able to obtain a licence, it could be non-exclusive, thereby giving its competitors access to the same technologies licensed to the Group, and could require the Group to make substantial royalty payments. The Group could also be forced, including by court order, to cease commercialising the infringing technology or products. A finding of infringement could prevent the Group from commercialising its products or force the Group to cease some of its business operations, which could materially harm its business. Claims that the Group has misappropriated the confidential information or trade secrets of third parties could have a similarly negative impact on its business.
Protection of trademarks	The Group owns certain trademarks that are important to its business and competitive position. Third parties may infringe or misappropriate these rights by, for example, imitating the Group's products, asserting rights in, or ownership of, the Group's trademarks or other intellectual property rights or in trademarks that are similar to trademarks that the Group owns. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks by alleging a breach of their trademarks and intellectual property. Applications filed by the Group in respect of new trademarks may not be granted. In addition, some of the Group's intellectual property may not be capable of being registered as belonging to the Group in all types of trademarks and all classes and the Group may, therefore, have difficulty protecting such intellectual property. Further, the Group may not be able to prevent others from using its brands (or other intellectual property that is not registered as belonging to the Group) at all or in a particular market. If the Group is unable to protect its intellectual property rights against infringement or misappropriation, or if others assert rights in or seek to invalidate its intellectual property rights, this could have a material adverse effect on the Group's business, financial condition, capital resources, results and/or future operations.
Customer concentration	During the period, a large percentage of Group revenue was made to a single customer, the DHSC.

Principal Risks and Risk Management

continued

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), with its main customer during the period being the DHSC. 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 Pound Sterling, Euro and US Dollar, which are the currencies of most of its receivables, expenditures, cash reserves and borrowings. The Pound Sterling, Euro and US Dollar exchange rates have fluctuated significantly in the past and may do so in the future. Consequently, revenue, expenditure, cash and borrowings may be higher or lower than anticipated by the Group. In addition, the financial statements of the Group are denominated in Pounds Sterling which, therefore, give further exposure to foreign exchange rate fluctuations and may impact the financial results reported to its Shareholders, particularly as profits and losses arising from foreign currency transactions and on settlement of amounts receivable and payable in foreign currency are dealt with through the profit and loss statement.
SARS-CoV-2 Pandemic	The global pandemic continues to cause significant disruption and volatility to the entire diagnostics market. As clinical laboratories try to meet the demand for COVID-19 testing all other diagnostic testing has been impacted and reduced as testing capacity has been insufficient to meet all clinical demands. This balance of supply and demand is improving in some parts of the world but continues to be challenging for all testing service providers as the pandemic evolves in waves across the globe and as the specific requirements for testing changes with the evolution of new virus mutations and the need for near patient testing alongside central testing. This makes the diagnostics market as a whole and COVID-19 testing specifically very difficult to predict and so diagnostic manufacturers are unable to plan or forecast their business requirements with any degree of accuracy.

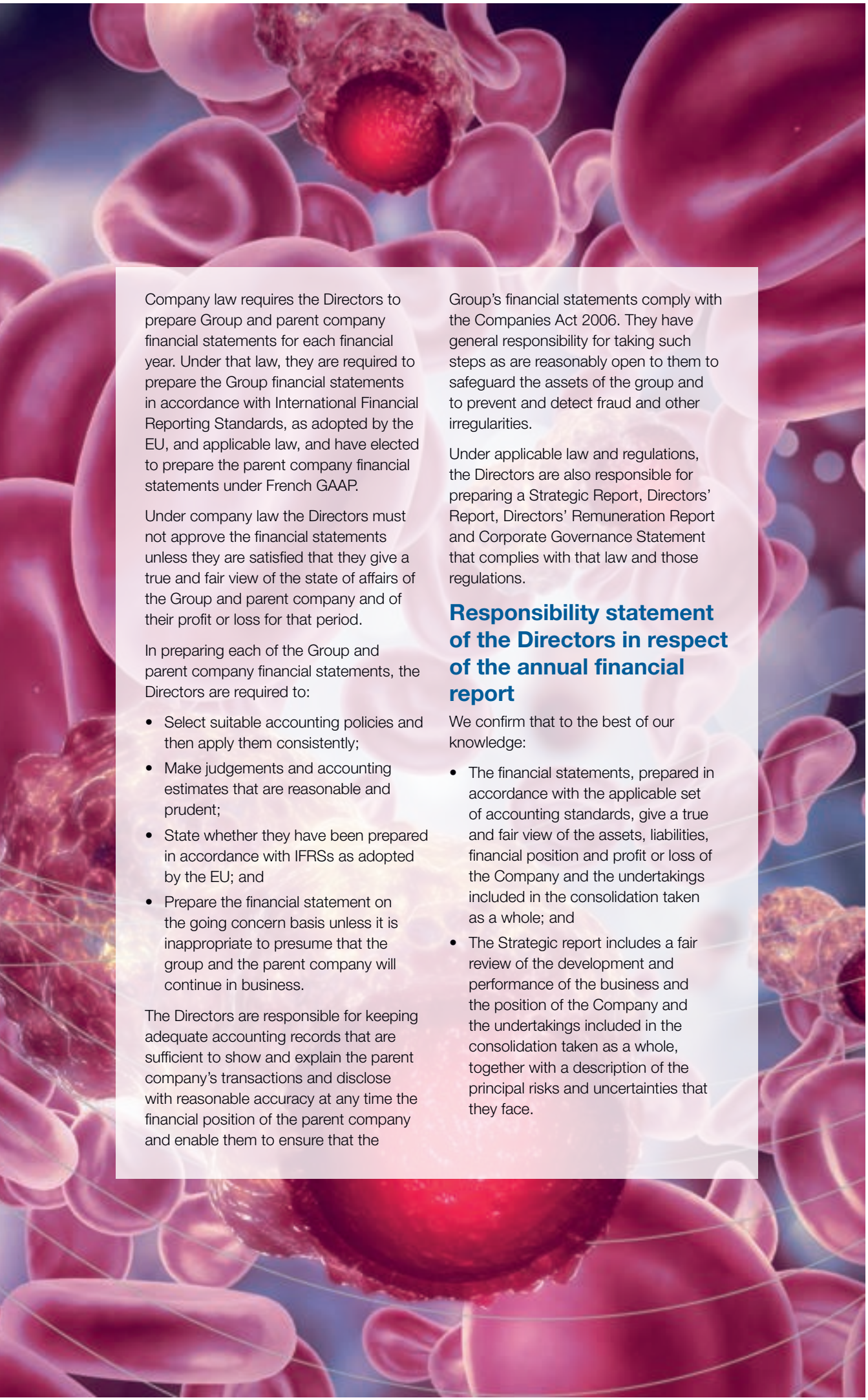




Financial Statements

Statement of Directors' responsibilities in respect of the annual report and 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 under French GAAP.

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

Statutory auditor's report on the consolidated financial statements

Statutory Auditor's report on the consolidated financial statements
Year ended December 31, 2020

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

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

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

To the NOVACYT Shareholders' Meeting,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of NOVACYT for the year ended December 31 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

Audit Framework

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

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

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from January 1 2020 to the date of our report.

Observations

Without qualifying the opinion, we draw your attention to:

- the "Change in presentation currency" note to the consolidated financial statements, setting out the methodology and the impact of the change in the presentation currency of the consolidated financial statements.
- Note 50, Contingent liabilities, identifying an ongoing commercial dispute and disclosing the underlying assumptions and the potential impacts in the consolidated financial statements.

Justification of our assessments

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

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

Goodwill

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

Specific verifications

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Statutory Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Paris-La Défense, June 21, 2021

The Statutory Auditor
Deloitte & Associés
Benoit Pimont

Consolidated income statement

for the years ended 31 December 2020 and 31 December 2019

Amounts in £'000	Notes	Year ended 31 December 2020	Year ended 31 December 2019*
Continuing Operations			
Revenue	5	277,204	11,468
Cost of sales	7	(65,704)	(4,128)
Gross profit		211,500	7,340
Sales, marketing and distribution expenses	8	(4,492)	(2,367)
Research and development expenses	9	(1,630)	(395)
General and administrative expenses	10	(30,532)	(5,669)
Governmental subsidies		(3)	3
Operating profit/(loss) before exceptional items		174,843	(1,088)
Other operating income	11	–	111
Other operating expenses	11	(7,402)	(579)
Operating profit/(loss) after exceptional items		167,441	(1,556)
Financial income	12	83	228
Financial expense	12	(2,353)	(2,098)
Profit/(loss) before tax		165,171	(3,426)
Tax (expense)/income	13	(32,748)	7
Profit/(loss) after tax from continuing operations		132,423	(3,419)
Loss from discontinued operations	41	–	(2,330)
Profit/(loss) after tax attributable to owners of the Company**		132,423	(5,749)
Profit/(loss) per share (£)	14	1.94	(0.13)
Diluted profit/(loss) per share (£)	14	1.94	(0.13)
Profit/(loss) per share from the continuing operations (£)		1.94	(0.08)
Diluted profit/(loss) per share from the continuing operations (£)		1.94	(0.08)
Loss per share from the discontinued operations (£)		0.00	(0.05)
Diluted loss per share from the discontinued operations (£)		0.00	(0.05)

* The comparative information for 2019 has been restated to reflect the change in presentation currency of the Group (see note 3).
** There are no non-controlling interests.

The 2019 consolidated income statement is presented to reflect the impacts of the application of IFRS 5 relative to discontinued operations, by stating the NOVAprep activity on a single line “Loss from discontinued operations”.

Consolidated statement of comprehensive income

for the years ended 31 December 2020 and 31 December 2019

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019*
Profit/(loss) after tax	**132,423**	**(5,749)**
Items that may be reclassified subsequently to profit or loss:		
Translation reserves	290	(194)
Total comprehensive profit/(loss)	**132,713**	**(5,943)**
Comprehensive profit/(loss) attributable to:		
Owners of the Company**	132,713	(5,943)

* The comparative information for 2019 has been restated to reflect the change in presentation currency of the Group (see note 3).

** There are no non-controlling interests.

Statement of financial position

for the years ended 31 December 2020, 31 December 2019 and 31 December 2018

Amounts in £'000	Notes	Year ended 31 December 2020	Year ended 31 December 2019*	Year ended 31 December 2018*
Goodwill	15	17,877	13,592	14,548
Other intangible assets	16	4,255	3,683	4,458
Property, plant and equipment	17	1,643	846	1,074
Right of use assets	18	2,259	2,125	–
Non-current financial assets	19	138	195	203
Deferred tax assets	20	3,023	–	–
Other long-term assets	21	96	183	–
Total non-current assets		**29,291**	**20,624**	**20,283**
Inventories and work in progress	22	29,888	2,083	2,116
Trade and other receivables	23	79,592	1,851	3,517
Tax receivables		–	3	85
Prepayments and short-term deposits	24	3,731	356	218
Investments short-term		9	8	9
Cash and cash equivalents	25	91,765	1,542	1,021
Total current assets		**204,985**	**5,843**	**6,966**
Assets classified as held for sale		**–**	**60**	**2,068**
Total assets		**234,276**	**26,527**	**29,317**
Bank overdrafts and current portion of long-term borrowings	26	–	1,869	2,809
Lease liabilities short-term	27	414	229	–
Contingent consideration short-term	29	1,022	–	1,415
Provisions short-term	30	19,856	43	90
Trade and other liabilities	31	36,784	3,920	4,190
Tax liabilities	32	15,116	–	–
Other current liabilities	33	950	505	341
Total current liabilities		**74,142**	**6,566**	**8,845**
Liabilities directly associated with assets classified as held for sale		**–**	**–**	**77**
Net current assets/(liabilities)		**130,843**	**(663)**	**112**
Borrowings and convertible bond notes	26	–	5,240	2,037
Lease liabilities long-term	27	1,964	2,012	–
Contingent consideration long-term	29	812	–	–
Provisions long-term	30	242	205	151
Deferred tax liabilities	20	800	42	48
Other liabilities long-term	34	5,606	–	–
Total non-current liabilities		**9,424**	**7,499**	**2,236**
Total liabilities		**83,566**	**14,065**	**11,158**
Net assets		**150,710**	**12,462**	**18,159**
Share capital	35	4,053	3,311	2,117
Share premium account	36	50,671	46,999	47,207
Own shares		(49)	(141)	(144)
Other reserves	37	(2,036)	(1,924)	(4,395)
Equity reserve	38	1,155	336	355
Retained earnings/(losses)	39	96,916	(36,119)	(26,981)
Total equity – owners of the Company		**150,710**	**12,462**	**18,159**
Total equity		**150,710**	**12,462**	**18,159**

* The comparative information for 2019 and 2018 has been restated to reflect the change in presentation currency of the Group (see note 3).

Statement of changes in equity

for the years ended 31 December 2020 and 31 December 2019

Amounts in £'000	Notes	Share capital	Share premium	Own shares	Equity reserves	Other group reserves: Acquisition of the shares of Primerdesign	Other group reserves: Translation reserve	Other group reserves: OCI on retirement benefits	Other group reserves: Total	Retained earnings	Total equity
Balance at 1 January 2019*		**2,117**	**47,207**	**(144)**	**355**	**(2,407)**	**(1,980)**	**(8)**	**(4,395)**	**(26,981)**	**18,159**
Translation differences		–	–	–	–	–	2,471	–	2,471	–	2,471
Loss for the period		–	–	–	–	–	–	–	–	(5,749)	(5,749)
Total comprehensive income/(loss) for the period		**–**	**–**	**–**	**–**	**–**	**2,471**	**–**	**2,471**	**(5,749)**	**(3,278)**
Issue of share capital		–	(158)	–	–	–	–	–	–	–	(158)
Own shares acquired/ sold in the period		–	–	3	–	–	–	–	–	–	3
Other changes		1,194	(50)	–	(19)	–	–	–	–	(3,389)	(2,264)
Balance at 31 December 2019*		**3,311**	**46,999**	**(141)**	**336**	**(2,407)**	**491**	**(8)**	**(1,924)**	**(36,119)**	**12,462**
Translation differences		–	–	–	–	–	(112)	–	(112)	–	(112)
Profit for the period		–	–	–	–	–	–	–	–	132,423	132,423
Total comprehensive income/(loss) for the period		**–**	**–**	**–**	**–**	**–**	(112)	**–**	(112)	132,423	132,311
Issue of share capital	35,36	567	2,011	–	–	–	–	–	–	–	2,578
Own shares acquired/ sold in the period		–	–	92	–	–	–	–	–	–	92
Conversion of warrants and debts	35,36	175	1,661	–	819	–	–	–	–	612	3,267
Balance at 31 December 2020		**4,053**	**50,671**	**(49)**	**1,155**	**(2,407)**	**379**	**(8)**	**(2,036)**	**96,916**	**150,710**

* The comparative information for 2019 has been restated to reflect the change in presentation currency of the Group (see note 3).

The line "Conversion of warrants and debts" is showing in the column "Share capital"; the amount of the share capital increase that was completed by conversion of the Vatel debt and had no impact on the cash situation of the Group (see note 35).

The line "Conversion of warrants and debts" is showing in the column "Share premium"; the amount of the share premium increase that occurred by conversion of the Vatel debt and had no impact on the cash situation of the Group (see note 35).

The line "Conversion of warrants and debts" is showing in the column "Equity reserve"; the IFRS impact on the Group equity of the conversion of the various warrants outstanding at 31 December 2020 (see note 14).

Statement of cash flows

for the years ended 31 December 2020 and 31 December 2019

Amounts in £'000	Notes	Year ended 31 December 2020	Year ended 31 December 2019*
Net cash from (used in) operating activities	42	102,976	(941)
Investing activities			
Proceeds from disposal of property, plant and equipment		–	24
Purchases of patents and trademarks		(168)	(99)
Purchases of property, plant and equipment		(1,013)	(105)
Variation of deposits		74	–
Acquisition of subsidiary net of cash acquired		(6,858)	(1,186)
Proceeds from the sale of businesses		–	319
Net cash used in investing activities		(7,965)	(1,047)
Investing cash flows from discontinued activities		–	138
Investing cash flows from continuing operations		(7,965)	(1,185)
Financing activities			
Repayments of borrowings		(4,592)	(2,756)
Proceeds on issue of borrowings and bond notes		–	5,922
Repayment of lease liabilities		(303)	(183)
Proceeds from issue of shares		2,577	(158)
Disposal (purchase) of own shares – net		92	4
Repayment of other short-term financing facilities		(720)	(93)
Proceeds from other short-term financing facilities		–	677
Negma phantom awards settlement		(439)	–
Interest paid		(1,655)	(918)
Net cash (used in) from financing activities		(5,040)	2,495
Financing cash flows from discontinued activities		–	–
Financing cash flows from continuing operations		(5,040)	2,495
Net increase in cash and cash equivalents		89,971	507
Cash and cash equivalents at beginning of year		1,542	1,021
Effect of foreign exchange rate changes		252	14
Cash and cash equivalents at end of year		91,765	1,542

* The comparative information for 2019 has been restated to reflect the change in presentation currency of the Group (see note 3).

Notes to the annual accounts

for the years ended 31 December 2020 and 31 December 2019

1. APPLICABLE ACCOUNTING STANDARDS

The Novacyt Group is an international diagnostics business generating an increasing portfolio of invitro and molecular diagnostic tests. Its core strengths lie in diagnostics product development, commercialisation, contract design and manufacturing. The Group's lead business units comprise of Primerdesign and Lab21 Products, supplying an extensive range of high-quality assays and reagents worldwide. The Group directly serves microbiology, haematology and serology markets as do its global partners, which include major corporates. 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 Great British Pounds "GBP".

The 2020 consolidated financial statements were approved by the Board of Directors on 21 June 2021.

2. ADOPTION OF NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS

- Standards, interpretations and amendments to standards with mandatory application for the period beginning on or after 1 January 2020 had no material impact on Novacyt's consolidated financial statements at 31 December 2020. These are mainly:
  - Amendments to IFRS 3 "Business Combinations – Definition of a Business";
  - Amendments to IAS 1 and IAS 8 "Definition of Material";
  - Amendments to References to the Conceptual Framework in IFRS Standards;
  - Amendments to IFRS 9 and IFRS 7 – "Interest Rate Benchmark Reform – Phase 1";
  - IFRS IC interpretation relating to the assessment of non-cancellable periods of leases and the amortisation period of leasehold improvements;
  - Amendment to IFRS 16 "Leases – COVID-19-related Rent Concessions", approved by the European Union on 12 October 2020. This amendment has no impact on the consolidated financial statements at 31 December 2020.

The Group has not elected to take early adoption of any standards or interpretations not mandatorily applicable in 2020.

The texts adopted by the European Union are available on the website of the European Commission.

The Group has not applied the following IFRSs that have been issued but are not yet effective:

- IFRS 17 "Insurance Contracts", applicable from 1 January 2023. The standard will have no impact on the Group accounts.
- IFRS 10 and IAS 28 (amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture". The standard will have no impact on the Group accounts.
- Amendments to IAS 1 "Classification of Liabilities as Current or Non-current", applicable from 1 January 2022. The Group does not expect any significant impact of the standard on the annual accounts.
- Amendments to IFRS 3 "Reference to the Conceptual Framework", applicable from 1 January 2022. The Group does not expect any significant impact of the standard on the annual accounts.
- Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use", applicable from 1 January 2022. The standard will have no impact on the Group accounts.
- Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract", applicable from 1 January 2022. The Group does not expect any significant impact of the standard on the annual accounts.
- Annual Improvements to IFRS Standards 2018–2020 Cycle – Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IFRS 16 "Leases", and IAS 41 "Agriculture", applicable from 1 January 2022. The Group does not expect any significant impact of the standard on the annual accounts.

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

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

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

The areas where assumptions and estimates are material in relation to the financial information are the measurement of goodwill resulting from the Group's acquisition of IT-IS International (see note 15), the carrying amounts and useful lives of the other intangible assets (see note 16), deferred taxes (see note 20), trade receivables (see note 23) and provisions for risks and other provisions related to the operating activities (see note 30).

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

Change of presentation currency

The Group has opted to change its presentation currency to GBP to better reflect the Group's trading activities, which are mainly conducted in GBP.

Following this change in accounting policy, the comparative consolidated financial statements are presented in GBP. Consolidation translation differences were reset to zero as of 1 January 2014, the date of creation of the consolidated Group. The cumulative translation differences on consolidation are presented as if the Group had used the GBP as its presentation currency for its consolidated financial statements since that date, 1 January 2014.

The functional currency of the Parent Company, Novacyt SA, remains the Euro. Translation differences arising from the Parent Company are presented in "other reserves".

	Year ended 31 December 2019 in €'000	Year ended 31 December 2019 translated to £'000 (a)	Adjustments in £'000 (b)	Year ended 31 December 2019 restated in £'000
Capital, premium and reserves	14,941	12,758	(838)	11,971
Translation differences	(347)	(296)	838	491
Net equity	14,594	12,462	–	12,462

(a) Translation at the €/£ closing rate of 0.85391.

(b) Differences between the historical rates and the closing rate of £0.85391 for €1, including the translation differences of the French holding company in the amount of £674,000 reclassified to "other reserves".

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP continued

Basis of consolidation

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

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

	At 31 December 2020		At 31 December 2019		At 31 December 2018	
Companies	Interest percentage	Consolidation method	Interest percentage	Consolidation method	Interest percentage	Consolidation method
Biotec Laboratories Ltd	100%	FC	100%	FC	100%	FC
IT-IS International Ltd	100%	FC	0%	–	0%	–
Lab21 Healthcare Ltd	100%	FC	100%	FC	100%	FC
Lab21 Ltd	0%	–	0%	–	100%	FC
Microgen Bioproducts Ltd	100%	FC	100%	FC	100%	FC
Novacyt SA	100%	FC	100%	FC	100%	FC
Novacyt Asia Ltd	100%	FC	100%	FC	100%	FC
Novacyt China Ltd	100%	FC	100%	FC	100%	FC
Novacyt UK Holdings Ltd	100%	FC	100%	–	0%	–
Primerdesign Ltd	100%	FC	100%	FC	100%	FC

Legend: FC: Full consolidation

On 15 October 2020, Novacyt UK Holdings Limited purchased the entire share capital of IT-IS International Limited.

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP continued

Consolidation methods

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

Elimination of intercompany transactions

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

Translation of accounts denominated in foreign currency

The historical financial information is presented in £'000 GBP. The financial statements of companies whose functional currency is not GBP are translated into GBP as follows:

- Items in the statement of financial position are translated at the closing exchange rate, excluding equity items, which are stated at historical rates; and
- Transactions in the income statement and statement of cash flows are translated at the average annual exchange rate.

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

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

Going concern

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

The going concern model covers the period up to and including June 2022. 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 2020 of £91,765,000;
- Payment of the second tranche of the Long-Term Incentive Plan ("LTIP") that commenced in November 2017 and concluded in November 2020;
- Payment of the first earn-out milestone related to the IT-IS International acquisition; and
- Management's confidence in settling the outstanding commercial dispute as per note 50.

In the event the current dispute is fully settled in favour of the counterparty, the forecast prepared by the Group shows that it is able to cover its cash needs during the financial year 2021 and until June 2022 without the raising of any banking or other financing facility.

Business combinations and measurement of goodwill

Business combinations

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

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

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP continued

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 remeasurement at fair value of the interest previously held by the Group in profit or loss. Loss of control results in the remeasurement of the possible residual interest at fair value in the same way.

For companies acquired during the year, only the results for the period following the acquisition date are included in the consolidated income statement. For the financial year 2020, this applies to IT-IS International Ltd, which was acquired on the 15 October 2020.

Measurement of goodwill

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

Impairment testing

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

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

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

Intangible fixed assets

Customer relationships

In accordance with IFRS 3, the Group's acquisition of Primerdesign, the Omega Infectious Diseases business and IT-IS International Ltd resulted in the recognition of the value of the acquired customer base on the statement of financial position. The value of these assets was determined by discounting the additional margin generated by customers after remuneration of the contributing assets.

Customer relationships will be amortised on a straight-line basis over nine years, unless it is deemed to be impaired.

Trademark

The acquisition price of Primerdesign, the Omega Infectious Diseases business and IT-IS International Ltd by the Group has led to the recognition of a number of trademarks. The value of these assets has been determined by discounting the cash flows that could be generated by licensing the trademark, estimated as a percentage of revenue derived from information available on comparable assets.

All trademarks are amortised on a straight-line basis over nine years, unless it is deemed to be impaired.

Other intangible assets

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

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP continued

Property, plant and equipment

Items of property, plant and equipment are recognised at their acquisition cost (purchase price plus incidental expenses and acquisition costs).

Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated or amortised on a straight-line basis, with major components identified separately where appropriate, based on the following estimated useful lives:

- Leasehold improvements: Straight-line basis – 2 to 15 years
- Trademarks: Straight-line basis – 9 years
- Customer relationships: Straight-line basis – 9 years
- Plant and machinery: Straight-line basis – 3 to 6 years
- General fittings, improvements: Straight-line basis – 3 to 5 years
- Transport equipment: Straight-line basis – 5 years
- Office equipment: Straight-line basis – 3 years
- Computer equipment: Straight-line basis – 2 to 3 years

Any leased buildings, equipment or other leases that fall under the scope of IFRS 16 have been capitalised as a right-of-use asset and will be depreciated on a straight-line basis over the term of the lease.

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

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

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

Asset impairment

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

External indicators:

- Drop in the market value of the asset (to a greater extent than would be expected solely from the passage of time or the normal use of the asset);
- Significant changes with an adverse effect on the entity, either having taken place during the period or expected to occur in the near future, in the technical, economic or legal environment in which the Group operates or in which the asset is used; and
- Increases in market interest rates or other market rates of return during the year when it is likely that such increases will significantly reduce the market value and/or value in use of the asset.

Internal indicators:

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

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

The recoverable amount of assets that do not generate independent cash flows is determined by that of the CGU to which it belongs; a CGU being the smallest homogeneous group of identifiable assets generating cash flows that are largely independent of other assets or groups of assets.

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP continued

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

In the event of loss of value, an impairment charge is recognised in 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

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a lease liability at lease commencement for all lease arrangements in which it is the lessee, except for short-term leases and leases of low-value assets.

- The right-of-use asset is initially measured at the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.
- The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate). Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

Inventories

Inventories are carried at the 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

The Group has an established credit policy under which the credit status of each new customer is reviewed before credit is advanced, including external credit evaluations where possible. Credit limits are established for all significant or high-risk customers, which represent the maximum amount permitted to be outstanding without requiring additional approval from the appropriate level of senior management. Outstanding debts are continually monitored by each division. Credit limits are reviewed on a regular basis, and at least annually. Customers that fail to meet the Group's benchmark creditworthiness may only transact with the Group on a prepayment basis.

Trade receivables are recorded initially at fair value and subsequently measured at amortised cost. This generally results in their recognition at nominal value less an allowance for any doubtful debts. Trade receivables in foreign currency are transacted in their local currency and subsequently revalued at the end of each reporting period, with any foreign exchange differences being recognised in the income statement as an income/expense.

The allowance for doubtful debts is recognised based on management's expectation of losses without regard to whether an impairment trigger happened or not (an "expected credit loss" model). Through implementation of IFRS 9, the Group concluded that no real historical default rate could be determined due a low level of historical write offs across the business. The Group therefore recognises an allowance for doubtful debts on the basis of invoice ageing. Once an invoice is overdue from its due date, based on agreed upon credit terms by more than 90 days, that this invoice is then more likely to default than those invoices operating within 90 days of their due date. As such, these invoices will be provided for in full as part of an expected credit loss model.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery may include the failure of the debtor to engage in a payment plan, and failure to make contractual payments within 365 days of the original due date.

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP continued

Cash and cash equivalents

Cash equivalents are held to meet short-term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent, it must be readily convertible into a known amount of cash and be subject to an insignificant risk of change in value. Cash and cash equivalents comprise cash funds, current bank accounts and marketable securities (cash Undertakings for Collective Investment in Transferable Securities ("UCITS"), negotiable debt securities, etc.) that can be liquidated or sold within a very short time (generally with original maturities of three months or less) and which have a negligible risk of change in value. All such items are measured at fair value, with any adjustments recognised in 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 financial position 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 convertible bonds with warrants attached (Obligations Convertibles en Actions avec Bons de Souscription d'Actions ("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 embedded derivatives have been separated.

Primerdesign contingent consideration

The Group negotiated a contingent consideration for the acquisition of the Primerdesign securities with its former Shareholders, subject to the achievement of a revenue target. The final payment was made in November 2019.

In accordance with IFRS 9, the financial liability has been remeasured at its fair value as of the balance sheet date.

Omega Infectious Diseases contingent consideration

The Group negotiated a contingent consideration via the asset purchase agreement for the Omega Infectious Diseases business, subject to the achievement of certain deliverables. One of the milestones was paid in 2019, but the other milestone has not, and will not, be achieved.

In accordance with IFRS 9, the financial liability has been remeasured at its fair value as of the balance sheet date.

IT-IS International Ltd contingent consideration

The Group negotiated a contingent consideration for the acquisition of the IT-IS International securities with its former Shareholders, subject to the achievement of a production volume target.

In accordance with IFRS 9, the financial liability has been remeasured at its fair value as of the balance sheet 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.

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP continued

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, a long-term management incentive plan and product warranties.

Long-Term Incentive Plan

Novacyt granted to certain employees 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 fully vested on the third anniversary of the grant date, 1 November 2020. The payment expenses are calculated under IFRS 2 "Share-Based Payments". The accounting charge has been spread across the vesting period to reflect the services received and a liability recognised on the statement of financial position.

Discontinued operations and assets held for sale

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

On the 18 July 2019, Novacyt disposed of Lab 21 Ltd, and on the 24 December 2019, Novacyt disposed of NOVAprep and, as a result, are presenting its financial results in accordance with the IFRS 5 accounting rule on discontinued operations.

As a result, all revenues and charges generated by NOVAprep are presented on a single line, below the net result.

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

In the consolidated income statement and consolidated statement of 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 note 41.

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 (Lab21 Ltd and NOVAprep) have been presented separately from other assets. The same applies for liabilities of a disposal group classified as held for sale.

Consolidated revenue

IFRS 15 "Revenue from Contracts with Customers" establishes a principles-based approach to recognising revenue only when performance obligations are satisfied, and control of the related goods or services is transferred. It addresses items such as the nature, amount, timing and uncertainty of revenue, and cash flows arising from contracts with customers. IFRS 15 replaces IAS 18 "Revenue" and other related requirements. IFRS 15 applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers except those in the scope of other standards.

- Step 1 – Identify the contract(s) with a customer
- Step 2 – Identify the performance obligations in the contract
- Step 3 – Determine the transaction price
- Step 4 – Allocate the transaction price to the performance obligations in the contract
- Step 5 – Recognise revenue when (or as) the entity satisfies a performance obligation. The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant. Therefore, the accounting for revenue under IFRS 15 does not represent a substantive change for recognising revenue from sales to customers.

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP continued

The Group's revenue recognition processes are generally straightforward, with recognition of revenue at the point of sale and little significant judgement required in determining the timing of transfer of control. Given that, the Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not significant.

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

Under IFRS 15.53, the Group can use either:

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

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

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

- If the amount of consideration is highly susceptible to factors outside the Group's influence;
- Whether the uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
- The Group's experience (or other evidence) with similar types of contract;
- The Group has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances; and
- The contract has a large number and broad range of possible consideration amounts.

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

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. This business was sold on 24 December 2019.

The activity of Lab21 Products

Lab21 Limited provided laboratory-based diagnostic services. Revenue was recognised when the service was rendered (diagnosis made). This business was sold on 18 July 2019.

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

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

The activity of Primerdesign

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

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

The activity of IT-IS International

IT-IS International is a UK based diagnostic instrument development and manufacturing company specialising in the development of PCR devices for the life sciences and food testing industry.

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

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP continued

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 profit or loss because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is the result of the Group's judgement based on the advice of external tax professionals and supported by previous experience in respect of such activities.

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. 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 the 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.

Research and Development Tax Credits

Novacyt UK Holdings Limited subsidiary companies and Primerdesign benefit from tax credits for their research activities. 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 are treated as subsidies in the income statement.

3. SUMMARY OF ACCOUNTING POLICIES APPLIED BY THE GROUP continued

Profit/loss per share

The Group reports basic and diluted profit/loss per common share. Basic profit/loss 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 profit/loss 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 profit/loss per share only if their exercise price is higher than the market price and if they have a dilutive effect on the result per share.

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 on the face of the consolidated income statement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

Constraint of revenue

Revenue is only constrained if it is highly probable there will not be a significant reversal of revenue in the future. Highly probable is not defined in IFRS 15 and so it is a significant judgement to be exercised by management. The value of revenue related to performance obligations fulfilled in the period to which constraint has not been applied is £129,124,000.

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 trademarks and the customer relationships identified as a result of the acquisition of Primerdesign, Omega Infectious Diseases business and IT-IS International.

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

Trademarks

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

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 at least annually. Its recoverable amount is determined using forecasts of future cash flows. The total amount of anticipated cash flows reflects management's best estimate of the future benefits and liabilities expected from the operation of the trademark. The resulting estimates are subject to discount rate, percentage of revenue and useful life assumptions.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY continued

The carrying amount of the trademarks at 31 December 2020 is £1,114,000 (2019: £522,000; 2018: £631,000) including the new trademarks acquired from IT-IS International in 2020 for £843,000. The amortisation charge for the period is £94,000 (2019: £89,000) and the cumulative amortisation is £372,000 (2019: £263,000; 2018: £185,000).

Customer relationships

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

Customer relationships are amortised on a straight-line basis over a period of nine years, estimated as its useful life. It is also tested for impairment at least annually. Its recoverable amount is determined using forecasts of future cash flows over an estimated period of time. The total amount of anticipated cash flows reflects management's best estimate of the future benefits and liabilities expected from customer relationships. The resulting estimates are subject to assumptions in respect of the discount rate, additional margin generated by customers after remuneration of contributing assets and useful lives.

The carrying amount of the customer relationships at 31 December 2020 is £2,950,000 (2019: £2,843,000; 2018: £3,447,000) including the new customer relationships from IT-IS International in 2020 for £1,366,000. The amortisation charge for the period is £513,000 (2019: £489,000) and the cumulative amortisation is £2,055,000 (2019: £1,460,000; 2018: £1,032,000).

Deferred taxes

Deferred tax assets are only recognised 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 reporting date and derecognised if it is no longer probable there will be taxable profits against which the deductible temporary differences can be utilised.

For deferred tax assets on tax 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, in relation to carry forward losses.

The Group has, however, recognised a deferred tax asset on the LTIP charge that can be deducted from a tax perspective only when the related payments are made. The LTIP charge has been recognised in full during the period. The corresponding tax deduction is partly recorded as a reduction of the tax liability for the year and as a deferred tax asset.

Deferred tax liabilities on temporary differences relate primarily to the assets acquired as part of the IT-IS International acquisition in October 2020.

Trade and other receivables

An estimate of the risks of non-receipt based on commercial information, current economic trends and the solvency of individual customers is made to determine the need for impairment on a customer-by-customer basis. Management use significant judgement in determining whether a credit loss provision is required.

At the year end, the Group had trade receivables of £79,341,000 against which a credit loss of £160,000 has been applied. At the date of signing the financial statements, £23,957,000 of the year end receivables were overdue due to a contract dispute (see note 50). Management expects to be able to recover these balances in full; this is a significant judgement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY continued

Provisions

The carrying value of provisions as at 31 December 2020, 2019 and 2018 are as per the table below:

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Provisions for restoration of premises	242	192	133
Long-term management incentive plan	–	13	18
Provisions for litigation	68	43	90
Provisions for product warranty	19,788	–	–
Total provisions	20,098	248	241

Provisions for restoration of premises

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

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

Provisions for product warranty

The value of provision required is determined by management based on available information, experience and, in some cases, expert estimates. Product warranty provisions are only included if it is considered to be probable that an outflow of economic benefit will be required. Determination of probable is a significant judgement especially in light of the resolution of the dispute described in note 50.

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 (see note 15) is considered likely to give material adjustment. Where there are other areas of estimates these have been deemed not material.

Measurement of goodwill

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATE UNCERTAINTY continued

The carrying amount of goodwill on the statement of financial position and related impairment loss over the periods are shown below:

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Goodwill Lab21 Products	16,022	15,122	15,968
Cumulative impairment of goodwill	(14,105)	(7,772)	(8,206)
Net value	**1,917**	**7,350**	**7,762**
Goodwill Primerdesign	6,523	6,157	6,501
Cumulative impairment of goodwill	–	–	–
Net value	**6,523**	**6,157**	**6,501**
Goodwill Omega Infectious Diseases	85	285	285
Derecognition of goodwill	–	(200)	–
Cumulative impairment of goodwill	(85)	–	–
Net value	**–**	**85**	**285**
Goodwill IT-IS International	9,437	–	–
Cumulative impairment of goodwill	–	–	–
Net value	**9,437**	**–**	**–**
Total goodwill	**17,877**	13,592	14,548

Sensitivity analysis has been performed on the goodwill balance and there is significant headroom associated with the Primerdesign balance, but there is limited headroom on the Lab21 Products goodwill, which could result in future impairments.

Litigations

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

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

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

5. REVENUE

The table below shows revenue from ordinary operations:

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Manufactured goods	276,874	10,792
Services	290	311
Traded goods	40	39
Other	–	326
Total revenue	**277,204**	**11,468**

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

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

6. OPERATING SEGMENTS

Segment reporting

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

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

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

Primerdesign (formerly Molecular Products)

This segment represents the activities of Primerdesign, which is a designer, manufacturer and marketer of molecular 'real-time' qPCR testing devices and reagents in the areas of infectious diseases based in Southampton, UK.

Lab21 Products (formerly Corporate and Diagnostics)

This segment represents the activities of Lab21 Products, which is a developer, manufacturer and distributor of a large range of protein-based infectious disease IVD products with both Microgen Bioproducts Ltd and Lab21 Healthcare Ltd, now based in Camberley, UK.

IT-IS International

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

Corporate

This segment represents Group central/corporate costs and the results of Novacyt UK Holdings Limited. Where appropriate, central corporate costs are recharged to individual business units via a management recharge process.

Intercompany Eliminations

This column represents intercompany transactions across the Group that have not been allocated to an individual operating segment, but is not a discreet segment.

The Chief Operating Decision Maker is the Chief Executive Officer.

Headcount

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

Segment	2020	2019
Primerdesign	81	48
Lab21 Products	47	60
IT-IS International	36	–
Corporate	10	6
Discontinued operations	–	11
Total headcount	174	125

6. OPERATING SEGMENTS continued

Reliance on major customers and concentration risk

Primerdesign's revenue includes approximately £190,000,000 (2019: £nil) from sales to the Group's largest customer. No other customers contributed 10% or more to the Group's revenue in 2020.

91% of loans and receivables are with one counterparty, with whom there is a contract dispute as disclosed in note 50. Management considers it to be more likely than not that the year end balances are recoverable. £47,926,000 of the year end receivables balance of £71,883,000 with the counterparty in question has been received in 2021.

Breakdown of revenue by operating segment and geographic area

At 31 December 2020

Amounts in £'000	Primerdesign	Lab21 Products	IT-IS International	Total
Geographical area				
United Kingdom	218,552	591	246	219,389
Europe (excluding UK)	30,917	1,058	56	32,031
Africa	2,896	151	6	3,053
Asia-Pacific	5,305	920	453	6,678
America	9,655	340	316	10,311
Middle East	5,492	250	–	5,742
Total revenue	**272,817**	**3,310**	**1,077**	**277,204**

At 31 December 2019

Amounts in £'000	Primerdesign	Lab21 Products	Total
Geographical area			
United Kingdom	1,097	986	2,083
Europe (excluding UK)	1,249	1,476	2,725
Africa	312	560	872
Asia-Pacific	712	1,529	2,241
America	1,696	647	2,343
Middle East	463	741	1,204
Total revenue	**5,529**	**5,939**	**11,468**

Breakdown of result by operating segment

Year ended 31 December 2020

Amounts in £'000	Primerdesign	Lab21 Products	IT-IS International	Corporate	Intercompany Eliminations	Total
Revenue	272,817	5,203	6,905	–	(7,721)	277,204
Cost of sales	(63,987)	(3,088)	(1,627)	–	2,998	(65,704)
Sales and marketing costs	(3,550)	(929)	9	(22)	–	(4,492)
Research and development	(1,515)	(3)	(112)	–	–	(1,630)
General and administrative	(25,133)	(2,138)	(245)	(1,725)	11	(29,230)
Governmental subsidies	–	(3)	–	–	–	(3)
Earnings before interest, tax, depreciation and amortisation as per management reporting	**178,632**	**(958)**	**4,930**	**(1,747)**	**(4,712)**	**176,145**
Depreciation and amortisation	(795)	(416)	(70)	(21)	–	(1,302)
Operating profit/(loss) before exceptional items	**177,837**	**(1,374)**	**4,860**	**(1,768)**	**(4,712)**	**174,843**

6. OPERATING SEGMENTS continued

Year ended 31 December 2019

Amounts in £'000	Primerdesign	Lab21 Products	Corporate	Intercompany Eliminations	Total
Revenue	5,531	6,037	–	(100)	11,468
Cost of sales	(808)	(3,418)	–	98	(4,128)
Sales and marketing costs	(1,266)	(1,096)	(6)	1	(2,367)
Research and development	(362)	(33)	–	–	(395)
General and administrative	(1,715)	(1,685)	(1,007)	–	(4,407)
Governmental subsidies	–	3	–	–	3
Earnings before interest, tax, depreciation and amortisation as per management reporting	**1,380**	**(192)**	**(1,013)**	**(1)**	**174**
Depreciation and amortisation	(734)	(519)	(9)	–	(1,262)
Operating profit/(loss) before exceptional items	**646**	**(711)**	**(1,022)**	**(1)**	**(1,088)**

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

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Cost of inventories recognised as an expense	20,113	2,693
Change in stock provision	2,978	–
Non-stock items and supplies	2,088	32
Freight costs	284	73
Direct labour	20,243	1,288
Product warranty	19,753	–
Other	245	42
Total cost of sales	**65,704**	**4,128**

The cost of inventories recognised as an expense has increased significantly due to the higher sales volumes in 2020. Some elements of manufacturing were outsourced to meet market demands in 2020; these costs are included in direct labour. A 2020 stock provision has been made for inventory that is deemed as being at risk of not being sold.

A product warranty cost has been estimated for the year; this is significantly higher due to the higher sales volumes in 2020 (see note 30) and the notification of a product warranty claim after the year end (see note 50).

8. SALES, MARKETING AND DISTRIBUTION EXPENSES

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Advertising expenses	314	160
Distribution expenses	495	334
Employee compensation and social security contributions	3,238	1,580
Travel and entertainment expenses	103	222
Other sales and marketing expenses	342	71
Total sales, marketing and distribution expenses	**4,492**	**2,367**

A significant number of new sales and marketing employees were hired during 2020 to support and deliver the 2020 revenue growth.

9. RESEARCH AND DEVELOPMENT EXPENSES

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Employee compensation and social security contributions	939	329
Other expenses	691	66
Total research and development expenses	1,630	395

A significant number of new research and development employees were hired during 2020 to support and deliver the 2020 revenue growth seen in the business. Other expenses predominantly include consumables, non-capitalised development costs and quality control/assurance expenses.

10. GENERAL AND ADMINISTRATIVE EXPENSES

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Purchases of non-stored raw materials and supplies	373	296
Lease and similar payments	337	159
Maintenance and repairs	278	106
Insurance premiums	574	100
Legal and professional fees	2,350	757
Banking services	231	70
Employee compensation and social security contributions	23,904	2,459
Depreciation and amortisation of property, plant and equipment, and intangible assets	1,302	1,267
Other general and administrative expenses	1,183	455
Total general and administrative expenses	30,532	5,669

Novacyt granted phantom awards to certain employees under a long-term management incentive plan adopted on 1 November 2017. The exercise price was set at the closing share price on the grant date. The phantom awards will be settled in cash in three tranches. The phantom awards vested on the third anniversary of the grant date, 1 November 2020, resulting in significantly higher employee compensation costs in 2020.

Legal and professional fees include advisors' fees, auditor fees and legal fees; all of which have increased as the business has grown in 2020.

Other general and administrative expenses include recruitment fees, building rates charges and regulatory fees.

11. OTHER OPERATING INCOME AND EXPENSES

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Litigations with employees	–	39
Other operating income	–	72
Total other operating income	**–**	**111**
Impairment of Lab21 Products goodwill	(5,768)	–
Impairment of Omega Infectious Diseases business intangible assets	(1,111)	–
Restructuring expenses	(106)	(166)
Result of the sale of Lab21 Ltd	–	(46)
Business sale expenses	(79)	(253)
Acquisition related expenses	(187)	–
Other expenses	(151)	(114)
Total other operating expenses	**(7,402)**	**(579)**

Operating income

Other operating income predominantly relates to the settlement of a legal claim against a third party.

Operating expenses

Goodwill associated with Lab21 Products has been impaired following changes in market conditions, which have reduced future expected cashflow generation.

The remaining intangible assets associated with the Omega Infectious Diseases business have been fully impaired.

Restructuring expenses include costs associated with the closure of the Axminster and Bridport sites, along with other Company-wide restructuring fees, including redundancy payments.

Business sale expenses in 2019 relate to the disposal of the NOVAprep business in France and the sale of Lab21 Ltd in the UK.

Acquisition related expenses relate to the October 2020 purchase of IT-IS International Ltd.

12. FINANCIAL INCOME AND EXPENSE

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Financial foreign exchange gains	32	200
Discount of financial instruments	46	–
Change in fair value of options	–	27
Other financial income	5	1
Total financial income	**83**	**228**
Interest on loans	(1,601)	(958)
Financial foreign exchange losses	(353)	(114)
Change in fair value of options	–	(684)
Discount of financial instruments	(12)	(81)
Other financial expense	(387)	(261)
Total financial expense	**(2,353)**	**(2,098)**

12. FINANCIAL INCOME AND EXPENSE continued

Interest on loans

The 2020 interest charge mainly relates to the full settlement of the Harbert European Growth Capital bond notes that amounted to £1,379,000. It also includes £185,000 interest charges in connection with IFRS 16 "Lease Liabilities".

In 2019, the interest charge mainly related to the Kreos, Vatel, Negma Group Ltd ("Negma"), and Harbert European Growth Capital bond notes.

Financial foreign exchange losses

Financial foreign exchanges losses in 2020 are driven by exchange movements on the €5,000,000 Harbert European Growth Capital bond that was repaid in the year and revaluations of bank and intercompany accounts held in foreign currencies.

Change in fair value of options

The December 2019 balance relates to the revaluation of Harbert European Growth Capital warrants liability of £684,000.

Other financial expenses

In November 2019, Novacyt SA granted Negma 1,300,000 phantom warrants, i.e. warrants that do not give access to the share capital of the Company, in exchange for the cancellation of 1,300,000 warrants giving access to the share capital of Novacyt SA. The phantom warrants guaranteed to pay Negma the profit from the difference between the €0.20 exercise price and the share price on the day before the exercise date. This instrument was recognised as a derivative financial liability at December 2019 for a value of £77,000. Negma exercised the phantom warrants in February 2020, which resulted in a payment to Negma of £439,000. The charge at December 2020 is the difference between these two amounts.

The costs in 2019 relate to additional interest and settlement fees to fully remove and pay down the monies owed to Negma, Kreos and the original Primerdesign owners.

13. INCOME TAX

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

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Current tax expense		
Current year (charge)/income	(35,605)	7
Deferred tax expense		
Deferred tax	2,857	–
Total income tax (expense)/income in the income statement	(32,748)	7

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

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Profit/(loss) before taxation	165,171	(5,756)
Tax at the French corporation tax rate (2020 and 2019: 28%)	(46,248)	1,612
Effect of different tax rate of subsidiaries in other jurisdictions	15,593	331
Effect of non-deductible expenses	(1,696)	(575)
Losses not recognised for deferred tax	(669)	(1,374)
Research tax expenditure enhancement	169	96
Other adjustments	103	(83)
Total tax (expense)/income for the year	(32,748)	7

13. INCOME TAX continued

As at 31 December 2020, the Group has unused tax losses of £41,230,000 (2019: £37,445,000) available for offset against future relevant profits. Their period of use is unlimited.

The key item making up the non-deductible expenses in 2020 is the impairment of the goodwill attached to the Lab21 Products. In 2019, the non-deductible expenses relate to the change in fair value of the warrants recorded in Novacyt and the amortisation of the intangible assets acquired with Primerdesign.

Matters affecting the tax charge

During 2020, Novacyt applied for a number of patents for technology it developed during the period. Patents can take several years to be granted, if at all, and at the year end, all the patents were still going through the process for approval. If one or more of the patents ultimately are granted then the Group hopes to be able to benefit from the UK Patent Box regime, which is a special low corporate tax rate used by several countries to incentivise research and development by taxing revenues from patented products differently from other revenues. Subject to a number of adjustments, the effective rate of tax on profits derived from the sale of products subject to patents is close to 10% rather than the current UK corporation tax rate of 19% (due to rise to 25% in 2023). The Patent Box rate can only be claimed once a patent has been granted, although the benefit can be backdated to the time at which the patent was applied for, and so this is not reflected in the 2020 accounts.

14. PROFIT/LOSS PER SHARE

The profit or loss per share is calculated based on the weighted average number of shares outstanding during the period. The diluted profit or 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.

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Net profit/(loss) attributable to owners of the Company	132,423	(5,749)
Impact of dilutive instruments	–	–
Net diluted profit/(loss) attributable to owners of the Company	132,423	(5,749)
Weighted average number of shares	68,187,101	45,731,091
Impact of dilutive instruments	–	–
Weighted average number of diluted shares	68,187,101	45,731,091
Profit/(loss) per share (in £)	1.94	(0.13)
Diluted profit/(loss) per share (in £)	1.94	(0.13)

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.

The calculation of earnings per share does not take into account potential anti-dilutive actions, which would have the effect of increasing earnings per share.

14. PROFIT / LOSS PER SHARE continued

The table below presents the movements of the stock options during 2020. They were not taken into account in the calculation of diluted earnings because they were anti-dilutive for the period ending 31 December 2019, and were all exercised or elapsed at 31 December 2020.

Beneficiary	Kreos	Primerdesign	Yorkville	Negma	Harbert	Total
Grant date	12 May 2016	12 May 2016	31 July 2015 to 18 July 2017	25 April 2019	5 November 2019	
Number of warrants	353,536	1,000,000	1,501,427	2,979,544	6,017,192	
Exercise price	€1.45	€1.16	From €5.511 to €0.946	€0.20	€0.0698	
Exercise deadline	1 November 2022	12 May 2021	3 years after issuance	25 April 2024	5 November 2026	
Accounting	Equity	Derivative financial liability	Equity	Derivative financial liability	Derivative financial liability	
Number of warrants on 1 January 2020	353,536	1,000,000	853,216	1,679,544	6,017,192	9,903,488
Warrants exercised in 2020	(353,536)	(1,000,000)	(528,541)	(1,679,544)	(6,017,192)	(9,578,813)
Number of additional shares	*353,536*	*1,000,000*	*528,541*	*1,679,544*	*6,017,192*	*9,578,813*
Share capital increase	*€512,627*	*€1,160,000*	*€500,000*	*€335,909*	*€420,000*	*€2,928,536*
Warrants cancelled in 2020	–	–	(324,675)	–	–	(324,675)
Warrants outstanding on 31 December 2020	–	–	–	–	–	–

15. GOODWILL

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

Cost	£'000
At 1 January 2019	22,754
Derecognition on acquisition of the Omega Infectious Diseases business	(200)
Exchange differences	(1,190)
At 31 December 2019	21,364
Write-off of the Omega Infectious Diseases goodwill	(85)
Recognition of goodwill on acquisition of IT-IS International Ltd	9,437
Exchange differences	1,266
At 31 December 2020	**31,982**

Accumulated impairment losses	
At 1 January 2019	8,206
Exchange differences	(434)
At 31 December 2019	7,772
Impairment of the Lab21 Products goodwill	5,767
Exchange differences	566
At 31 December 2020	**14,105**
Carrying value at 31 December 2018	14,548
Carrying value at 31 December 2019	13,592
Carrying value at 31 December 2020	17,877

15. GOODWILL continued

Lab21 Products

The impairment testing of the CGU as of 31 December 2020 was conducted by the discounted cash flow ("DCF") method, with the key assumptions as follows:

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

The implementation of this approach demonstrated that the value of the Enterprise Value amounted to £1,917,000, which is lower than the carrying amount of this asset. As such, an impairment charge was recognised in the year ended 31 December 2020.

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

		Terminal growth rates						
	1,917	**0.0%**	**0.5%**	**1.0%**	**1.5%**	**2.0%**	**2.5%**	**3.0%**
WACC rates	12.5%	2,315	2,387	2,464	2,549	2,641	2,742	2,854
	13.0%	2,190	2,255	2,324	2,400	2,482	2,572	2,670
	13.5%	2,075	2,133	2,196	2,263	2,337	2,417	2,504
	14.0%	1,968	2,021	2,078	2,139	2,204	2,276	2,354
	14.5%	1,869	1,917	1,968	2,023	2,083	2,147	2,217
	15.0%	1,777	1,821	1,867	1,917	1,971	2,029	2,091
	15.5%	1,692	1,731	1,774	1,819	1,868	1,920	1,976
	16.0%	1,612	1,648	1,687	1,728	1,772	1,819	1,870
	16.5%	1,537	1,570	1,605	1,643	1,683	1,726	1,772

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% in the WACC would result in the need to impair the Lab21 goodwill further.

The Lab21 Products goodwill relates to Microgen Bioproducts and Lab21 Healthcare.

Omega Infectious Diseases

The decrease in the Omega Infectious Diseases goodwill in 2019 results from the adjustment of the acquisition price of the business. Contingent consideration amounting to £200,000 will not be paid, as the contractual conditions will not be achieved. The remaining goodwill totalling £85,000 has been fully impaired in the year ended 31 December 2020.

Primerdesign

The impairment testing of the CGU as of 31 December 2020 was conducted by the DCF (discounted cash flow) method, with the key assumptions as follows:

- Five-year business plan;
- Extrapolation of cash flows beyond five years based on a growth rate of 1.5%; and
- Discount rate corresponding to the expected rate of return on the market for a similar investment, regardless of funding sources, equal to 19.8%.

The implementation of this approach demonstrated that the value of the Enterprise Value amounted to £180,961,000, which is greater than the carrying amount of this asset. As such, no impairment was recognised in the year ended 31 December 2020.

15. GOODWILL continued

Sensitivity of the value derived from the discounted cash flow model to changes to the assumptions used for the Primerdesign acquisition

WACC rates	Terminal growth rates						
180,961	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
15.0%	183,663	183,906	184,165	184,444	184,745	185,069	185,421
16.0%	182,871	183,076	183,294	183,528	183,778	184,047	184,337
17.0%	182,172	182,347	182,532	182,730	182,941	183,166	183,407
18.0%	181,552	181,702	181,860	182,029	182,208	182,398	182,601
19.0%	180,997	181,127	181,264	181,408	181,562	181,724	181,896
19.8%	180,595	180,711	180,833	180,961	181,097	181,241	181,393
20.0%	180,499	180,612	180,730	180,855	180,987	181,127	181,275
21.0%	180,049	180,148	180,251	180,360	180,474	180,595	180,722
22.0%	179,641	179,727	179,818	179,913	180,013	180,118	180,228

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% in the WACC would not result in the need to impair the Primerdesign goodwill.

IT-IS International

On 15 October 2020, Novacyt UK Holdings Ltd completed the purchase of the entire share capital of IT-IS International Ltd, a company incorporated in England and Wales. The company specialises in the development and manufacturing of PCR diagnostic instruments for the life sciences and food testing industry.

The calculation of the goodwill is presented in the note 40 “Business combinations”.

IFRS 3 provides for a period of 12 months from the acquisition to complete the identification and measurement of the fair value of assets acquired and liabilities assumed. Until October 2021, the gross amount of goodwill is subject to adjustment.

16. OTHER INTANGIBLE ASSETS

Amounts in £'000	Customer relationships	Trademarks	Development costs	Patents	Other	Total
Cost						
At 1 January 2019	4,479	816	398	91	244	6,028
Acquisitions	–	–	53	37	9	99
Disposal of businesses	–	–	–	–	(9)	(9)
Other disposals	–	–	–	(1,354)	(78)	(1,432)
Reclassifications	–	–	–	1,288	67	1,355
Foreign exchange impact	(176)	(31)	–	–	(3)	(210)
At 31 December 2019	**4,303**	**785**	**451**	**62**	**230**	**5,831**
Acquisitions	–	–	111	30	27	168
Acquisition of businesses	1,366	843	–	–	–	2,209
Other disposals	(851)	(175)	(285)	(2)	–	(1,313)
Reclassifications	–	–	–	(1)	–	(1)
Foreign exchange impact	187	33	–	–	3	223
At 31 December 2020	**5,005**	**1,486**	**277**	**89**	**260**	**7,117**
Amortisation						
At 1 January 2019	(1,032)	(185)	(114)	(69)	(170)	(1,570)
Amortisation for the year	(489)	(89)	(76)	(106)	(36)	(796)
Exceptional impairment	–	–	–	(63)	–	(63)
Disposal of businesses	–	–	–	–	9	9
Other disposals	–	–	–	752	73	825
Reclassifications	–	–	–	(561)	(67)	(628)
Foreign exchange impact	61	11	–	–	3	75
At 31 December 2019	**(1,460)**	**(263)**	**(190)**	**(47)**	**(188)**	**(2,148)**
Amortisation for the year	(513)	(94)	(67)	(7)	(37)	(718)
Other disposals	–	–	104	–	–	104
Foreign exchange impact	(82)	(15)	–	–	(3)	(100)
At 31 December 2020	**(2,055)**	**(372)**	**(153)**	**(54)**	**(228)**	**(2,862)**
Net book value						
At 1 January 2019	3,447	631	284	22	74	4,458
At 31 December 2019	2,843	522	261	15	42	3,683
At 31 December 2020	**2,950**	**1,114**	**124**	**35**	**32**	**4,255**

17. PROPERTY, PLANT AND EQUIPMENT

Amounts in £'000	Leasehold improvements	Plant and machinery	Fixtures and fittings	Total
Cost				
At 1 January 2019	919	1,000	333	2,252
Acquisitions	23	151	22	196
Disposal of businesses	(29)	(53)	(46)	(128)
Other disposals	(50)	(1,289)	(121)	(1,460)
Reclassifications	58	1,201	78	1,337
Foreign exchange impact	1	1	1	3
At 31 December 2019	**922**	**1,011**	**267**	**2,200**
Acquisitions	34	686	253	973
Acquisition of businesses	–	46	143	189
Other disposals	–	(6)	(16)	(22)
Reclassifications	(79)	56	115	92
At 31 December 2020	**877**	**1,793**	**762**	**3,432**
Depreciation				
At 1 January 2019	(217)	(695)	(266)	(1,178)
Depreciation for the year	(125)	(271)	(48)	(444)
Exceptional impairment	–	(129)	–	(129)
Disposal of businesses	30	54	45	129
Other disposals	36	1,319	127	1,482
Reclassifications	(58)	(1,090)	(69)	(1,217)
Foreign exchange impact	2	3	(2)	3
At 31 December 2019	**(332)**	**(809)**	**(213)**	**(1,354)**
Depreciation for the year	(89)	(139)	(67)	(295)
Acquisition of businesses	–	(29)	(131)	(160)
Other disposals	–	6	14	20
Foreign exchange impact	–	–	(1)	(1)
At 31 December 2020	**(421)**	**(971)**	**(397)**	**(1,789)**
Net book value				
At 1 January 2019	702	305	67	1,074
At 31 December 2019	590	202	54	846
At 31 December 2020	**456**	**822**	**365**	**1,643**

18. RIGHT-OF-USE ASSETS

Amounts in £'000	Land and buildings	Plant and machinery	Total
Cost			
At 1 January 2019	–	–	–
Adoption of IFRS 16	2,252	54	2,306
Reclassifications	–	82	82
At 31 December 2019	**2,252**	**136**	**2,388**
Additions	396	41	437
Acquisition of businesses	97	–	97
Reclassifications	–	(123)	(123)
At 31 December 2020	**2,745**	**54**	**2,799**
Depreciation			
At 1 January 2019	–	–	–
Depreciation for the year	(233)	(30)	(263)
At 31 December 2019	**(233)**	**(30)**	**(263)**
Depreciation for the year	(256)	(32)	(288)
Acquisition of businesses	(18)	–	(18)
Reclassifications	–	29	29
At 31 December 2020	**(507)**	**(33)**	**(540)**
Net book value			
At 1 January 2019	–	–	–
At 31 December 2019	2,019	106	2,125
At 31 December 2020	**2,238**	**21**	**2,259**

19. NON-CURRENT FINANCIAL ASSETS

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Rental deposits	124	109	115
Guarantee deposit	–	80	85
Other	14	6	3
Total non-current financial assets	**138**	**195**	**203**

20. DEFERRED TAX ASSETS AND LIABILITIES

The table below shows the movements in deferred tax assets and liabilities during the reporting period:

Amounts in £'000	Accelerated capital allowances	Intangible assets	Intra-Group profit	Long-term incentive plan	Other temporary differences	Total
At 1 January 2019	(49)	–	–	–	–	(49)
Credit/(charge) to income statement	7	–	–	–	–	7
At 31 December 2019	**(42)**	**–**	**–**	**–**	**–**	**(42)**
Credit/(charge) to income statement	(194)	10	897	2,125	19	2,857
Acquisition of IT-IS International	(2)	(499)	–	–	(92)	(593)
At 31 December 2020	**(238)**	**(489)**	**897**	**2,125**	**(73)**	**2,222**

At 31 December 2020, deferred tax liabilities amounting to £489,000 result from the recognition of brand and customer relationships intangible assets as part of the October 2020 IT-IS International acquisition.

A £2,125,000 deferred tax asset relates to the portion of the Long-Term Incentive Plan charge that has been recognised by Novacyt UK Holdings, but will not be deducted for taxation until payments are made in 2021 and 2022.

A £897,000 deferred tax asset arises from the elimination of the internal margin on intercompany stock held at 31 December 2020.

Deferred tax assets and liabilities are recognised on the statement of financial position as follows:

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Deferred tax assets	3,022	–	–
Deferred tax liabilities	(800)	(42)	(48)
Net deferred tax assets/(liabilities)	**2,222**	**(42)**	**(48)**

Novacyt SA and Lab21 Healthcare Ltd have tax losses carried forward for use against future taxable profits. However, no deferred tax assets have been recognised for these losses as there is insufficient evidence that there will be future profits in these companies to use the losses against.

The following table shows the deferred tax assets not presented in the statement of financial position:

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Novacyt SA	10,004	8,725	7,562
Lab21 Healthcare Ltd	1,045	1,005	823
Microgen Bioproducts Ltd	–	135	75
Novacyt UK Holdings Ltd	–	54	–
Total unrecognised deferred tax assets	**11,049**	9,919	8,460

21. OTHER LONG-TERM ASSETS

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Long-term receivable from the sale of the NOVAprep business	–	87	–
Long-term receivable from the sale of Lab21 Limited	96	96	–
Total other long-term assets	**96**	**183**	**–**

Lab21 Limited was sold in July 2019. The purchase consideration was split into milestone payments and the long-term portion of the sale price has been discounted to £96,000.

The assets of NOVAprep were sold in December 2019. The purchase consideration was split into milestone payments and the long-term portion has been discounted to £87,000. Due to uncertainty over the recoverability of the outstanding NOVAprep milestone payments, the balance due has been written off in 2020.

22. INVENTORIES AND WORK IN PROGRESS

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Raw materials	14,406	1,195	941
Work in progress	8,999	241	509
Finished goods	9,550	666	666
Traded goods	–	70	–
Stock provisions	(3,067)	(89)	–
Total inventories and work in progress	**29,888**	**2,083**	**2,116**

Increased inventory levels are supporting the Group's revenue growth, with significant finished goods being held in stock ready for immediate dispatch, as demand remains high.

The lead time for obtaining some raw materials is significant, so bulk orders have been placed to ensure there are no supply chain issues; these contribute to the higher raw materials balance in 2020.

The closing inventory balance is assessed every year and a stock provision is made for stock at risk of not being sold.

23. TRADE AND OTHER RECEIVABLES

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Trade and other receivables	79,341	1,720	3,005
Estimated credit loss provision	(160)	(397)	(42)
Accrued income	–	15	88
Tax receivables (excluding income tax)	343	335	444
Receivables on sale of businesses	67	152	–
Other receivables	1	26	22
Total trade and other receivables	**79,592**	**1,851**	**3,517**

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

23. TRADE AND OTHER RECEIVABLES continued

The movement in the allowance for doubtful debts is shown below:

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Balance at the beginning of the period	397	42
Impairment losses recognised	163	382
Amounts written off during the year as uncollectible	(400)	(5)
Amounts recovered during the year	–	(14)
Change in the scope of consolidation	–	(8)
Balance at the end of the period	**160**	**397**

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

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Less than one month	77,944	1,029	2,101
Between one and three months	1,364	101	201
Between three months and one year	6	116	206
More than one year	27	473	497
Balance at the end of the period	**79,341**	**1,720**	**3,005**

24. PREPAYMENTS AND SHORT-TERM DEPOSITS

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Liquidity contract	103	9	8
Prepaid expenses	3,628	347	210
Total prepayments and short-term deposits	**3,731**	**356**	**218**

The key balances at December 2020 include prepayments for the annual group commercial insurance, prepayments for stock that was not delivered to Primerdesign in 2020, rent, rates and prepaid support costs.

The balances at December 2019 and December 2018 cover items such as rent, insurances and prepaid support agreements.

25. CASH AND CASH EQUIVALENTS

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

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Money market deposits	–	11	12
Available cash	91,765	1,531	1,009
Total cash and cash equivalents	**91,765**	**1,542**	**1,021**

Cash has significantly increased due to the increased profitability of the Group in 2020.

26. BORROWINGS

The following tables show borrowings and financial liabilities carried at amortised cost, excluding lease liabilities (see note 27).

Maturities as of 31 December 2019

Amounts in £'000	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	1,116	5,240	6,356
Accrued interest on borrowings	32	–	32
Short-term financing facilities	721	–	721
Total financial liabilities	**1,869**	**5,240**	**7,109**

Maturities as of 31 December 2018

Amounts in £'000	Amount due for settlement within 12 months	Amount due for settlement after 12 months	Total
Bond notes	2,684	2,019	4,703
Accrued interest on borrowings	64	–	64
Short-term financing facilities	61	18	79
Total financial liabilities	**2,809**	**2,037**	**4,846**

Change in borrowings and financial liabilities in 2020

Amounts in £'000	At 31 December 2019	Repayment	Conversion	FX impact	At 31 December 2020
Bond notes	6,356	(4,592)	(1,856)	92	–
Accrued interest on borrowings	32	(32)	–	–	–
Short-term financing facilities	721	(721)	–	–	–
Total financial liabilities	**7,109**	**(5,345)**	**(1,856)**	**92**	**–**

Change in borrowings and financial liabilities in 2019

Amounts in £'000	At 31 December 2018	Increase	Repayment	Conversion/ other non-cash movements	FX impact	At 31 December 2019
Bond notes	4,703	5,393	(2,673)	(876)	(191)	6,356
Accrued interest on borrowings	65	34	(63)	–	(3)	33
Short-term financing facilities	78	738	(93)	–	(3)	720
Total financial liabilities	**4,846**	**6,165**	**(2,829)**	**(876)**	**(197)**	**7,109**

As of 31 December 2020, the Group had repaid or converted all bond notes outstanding at December 2019. During 2020 the main operations were as follows:

- The Vatel bond notes issued in 2017 by Novacyt were repaid in full for an amount of £139,000.
- The Vatel bond notes issued in 2018 by Novacyt were repaid for an amount of £345,000 and the balance was converted in share capital for a total of £1,856,000.
- The Harbert bond granted to Novacyt UK Holdings in 2019 was repaid in full for an amount of £4,108,000.

In addition, the Group repaid in full its short-term financing facility for an amount of £721,000.

26. BORROWINGS continued

Bond notes

As of 31 December 2019, the Group's financing was primarily comprised of the following:

Vatel Bonds

- 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 three years. The Vatel Bonds were convertible at the option of Vatel into 1.25 shares for each bond of €1 of nominal value only where the Company fails to comply with its payment obligations of the principal or the interest amounts due under the loan 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 three years. The Vatel Bonds were convertible at the option of Vatel into 1.429 shares for each bond of €1 of nominal value only where the Company fails to comply with its payment obligations of the principal or the interest amounts due under the agreement within 15 days of receipt of a notice of an event of default.
- Both conversion options granted to Vatel have not been recorded in the accounts, as the probability of a default was not considered as material.

Harbert Bonds

- A bond subscribed by Harbert European Growth Capital in the amount of €5.0 million issued on 5 November 2019, with an effective interest rate of 13.5% for a term of four years. The Harbert bonds are issued by Novacyt UK Holdings simultaneously with warrants giving access to the share capital of Novacyt SA. The number of shares for which the holder of the warrants could subscribe, and the subscription price could be either:
  - Subscription for 6,017,192 shares at a subscription price of € 0.0698 per share (i.e. an overall subscription price of €420,000); or
  - Subscription at a price of €0.0667 per share for a number of shares equal to:

$$6{,}017{,}192 - \left[\frac{6{,}017{,}192 \times (0.0698 - 0.0667)}{\text{30 day average of Novacyt share price on exercise date}} \right]$$

  - The warrants are accounted for as derivative liabilities in "trade and other liabilities".

Short-term financing facilities

In addition to the bond notes above, the Group financed its short-term working capital needs through convertible notes issued with warrants. On 18 April 2019, Novacyt SA entered into an agreement with the Negma Group ("Negma") under which Negma was granted warrants (the "Tranche Warrants") that gave it the right to subscribe for convertible loan notes issued by Novacyt SA with attaching warrants (the "Attaching Warrants"). The Company could issue the loan notes over the subsequent 36 months, in several successive tranches representing bond debt in a maximum amount of €5,000,000.

The convertible loan notes (Obligations Convertibles en Actions ("OCA")) were issued at par, i.e. €2,500 each, with no interest rate, and had a maturity of one year from issue. The Company had to redeem unconverted OCAs upon maturity.

The bond debt represented by the OCAs (par value of an OCA) could be converted into shares at the request of the holder, on the basis of the following conversion rate: 88% of the lowest of the 15 average daily prices of the Company's share weighted by volume (as reported by Bloomberg) immediately preceding the request for the conversion of the relevant OCA, without it being possible for this amount to be lower than the par value of the Company's share, i.e. 1/15th of a Euro. The OCAs were transferable subject to the Company prior written consent.

The number of Attaching Warrants that could be issued upon each issuance of OCAs was that which would be multiplied by the exercise price of the equity warrants (determined under the terms set out below). The amount received would be equal to 30% of the par value of the OCAs issued, i.e. €655,500 for the first tranche.

The Attaching Warrants would be immediately detached from the OCAs and would be transferable from issue. They could be exercised from issue until the 60th month inclusive following their issue date (the "Exercise Period"). Each Attaching Warrant would entitle the holder thereof, during the Exercise Period, to subscribe for one new Novacyt SA share.

26. BORROWINGS continued

The exercise price of the equity warrants was equal to 115% of the average 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 Attaching Warrants would be detached (or the issue date of the OCAs for the first tranche of OCAs, i.e. 25 April 2019).

The loan agreement offered protection to the Negma Group in the event of the modification by Novacyt SA of the allocation of its profits as a result of the issue of preference shares. A similar protection was not afforded to the ordinary Shareholders and therefore this would change the relative rights of the Shareholders and warrant holders. As nothing prevented Novacyt SA from issuing preference shares, therefore the Attaching Warrants fail the fixed for fixed test and were accounted for as derivative liabilities in the line "trade and other liabilities".

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

In accordance with IAS 32, the first tranche of the bond issued on 25 April in the amount of €2,000,000 (tranche 1) breaks down as follows:

- The conversion option, treated in this case as an embedded derivative under IAS 32, worth €297,955, was recorded at "fair value through profit or loss" in current borrowings;
- The attaching warrants, valued at €236,365 overall, were treated as an embedded derivative were recorded at "fair value through profit or loss" in current borrowings; and
- The residual amount, €1,465,680, was recognised at amortised cost under current financial liabilities.

On 25 April 2019, the Company exercised some of its Tranche Warrants resulting in the issuance of 800 OCAs in a total of €2,000,000, an additional 74 OCAs as settlement of issuance fees and 2,979,544 Attaching Warrants.

Between 25 April 2019 and 2 October 2019, the Company had converted 596 OCAs. The remaining 278 OCAs were redeemed by anticipation as a result of a supplementary agreement dated 8 November 2019. Besides, the Company and Negma agreed that the additional Tranches Warrants in the amount €3,000,000 were cancelled and that the exercise price of each Attaching Warrant was changed to €0.20 per share.

As of 31 December 2018, the Group's financing primarily comprised:

Kreos Bonds

- A bond subscribed by Kreos Capital IV Ltd in the amount of €3.5 million issued on 15 July 2015, which was subsequently fully repaid in November 2019;
- A bond subscribed by Kreos Capital V Ltd in the amount of €3 million issued on 12 May 2016, which was subsequently fully repaid in November 2019.

Vatel Bonds

- 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 three years;
- 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 three years;
- Both conversion options granted to Vatel have not been recorded in the accounts, as the probability of a default was not considered as material.

27. LEASE LIABILITIES

The following tables show lease liabilities carried at amortised cost resulting from the application of the IFRS 16 at 1 January 2019.

Maturities

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Lease liabilities short-term	414	229	–
Lease liabilities long-term	1,964	2,012	–
Total lease liabilities	2,378	2,241	–

Change in lease liabilities in 2020 and 2019

Amounts in £'000	Opening	Adoption of IFRS 16	Business Combinations Impact	Repayment	Non-cash movements	Closing
Changes in 2019	–	2,333	–	(183)	91	2,241
Changes in 2020	2,241	–	73	(303)	367	2,378

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

Repayment of borrowings and lease liabilities in 2020

Note 26 – Borrowings and note 27 – Lease liabilities	£'000
Change in borrowings in 2020: repayment of bond notes	(4,592)
Change in borrowings in 2020: repayment of short-term financing facilities	(720)
Change in lease liabilities in 2020: repayment	(303)
Total repayments in 2020 as per notes 26 and 27	(5,615)

Statement of cash flows for the year 2020	
Cash used in financing activities: repayment of borrowings	(4,592)
Cash used in financing activities: repayment of lease liabilities	(303)
Cash used in financing activities: variation of other short-term financing facilities	(720)
Total repayments as per the statement of cash flows	(5,615)

Repayment of borrowings and lease liabilities in 2019

Note 26 – Borrowings and note 27 – Lease liabilities	£'000
Change in borrowings in 2019: repayment of bond notes	(2,673)
Change in borrowings in 2019: repayment of short-term financing facilities	(93)
Change in lease liabilities in 2019: repayment	(183)
Issuance of Negma conversion options	(83)
Total repayments in 2019 as per notes 26 and 27	(3,032)

Statement of cash flows for the year 2019	
Cash used in financing activities: repayment of borrowings	(2,756)
Cash used in financing activities: repayment of lease liabilities	(183)
Cash used in financing activities: variation of other short-term financing facilities	(93)
Total repayments as per the statement of cash flows	(3,032)

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

Proceeds from borrowings in 2019

Note 26 – Borrowings	£'000
Change in borrowings in 2019: increase of bond notes	5,393
Change in borrowings in 2019: increase of short-term financing facilities	738
Other cash movement: issuance of Negma conversion options	261
Other cash movement: issuance of Negma warrants	207
Total proceeds in 2019 as per notes 26 and 27	**6,599**
Statement of cash flows for the year 2019	
Cash from financing activities: issue of borrowings and bond notes	5,922
Cash from financing activities: variation of other short-term financing facilities	677
Total proceeds as per the statement of cash flows	**6,599**

29. CONTINGENT CONSIDERATION

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Contingent consideration short-term	1,022	–	1,415
Contingent consideration long-term	812	–	–
Total contingent consideration	**1,834**	**–**	**1,415**

At 31 December 2020, the contingent consideration relates to the acquisition of IT-IS International by Novacyt UK Holdings Ltd (see note 40). It will be settled in two payment tranches, which are due September 2021 and 2022.

At 31 December 2018, the contingent consideration related to the acquisition of Primerdesign and the Asset Purchase Agreement of the Omega Infectious Diseases business. The Group settled both debts in 2019.

30. PROVISIONS

The nature of and changes in provisions for risks and charges for the period from 1 January 2020 to 31 December 2020 are as follows:

Amounts in £'000	At 1 January 2020	Increase	Reduction	Business Combinations Impact	Change in exchange rates	At 31 December 2020
Provisions for restoration of premises	192	37	–	13	–	242
Long-term management incentive plan	13	19,006	(19,018)	–	(1)	–
Provisions long-term	**205**	**19,043**	**(19,018)**	**13**	**(1)**	**242**
Provision for litigation	43	22	–	–	3	68
Provisions for product warranty	–	19,753	–	35	–	19,788
Provisions short-term	**43**	**19,775**	**–**	**35**	**3**	**19,856**

30. PROVISIONS continued

The nature of and changes in provisions for risks and charges for the period from 1 January 2019 to 31 December 2019 are as follows.

Amounts in £'000	At 1 January 2019	Increase	Reduction	Adoption of IFRS 16	Change in exchange rates	At 31 December 2019
Provisions for restoration of premises	133	6	(23)	76	–	192
Long-term management incentive plan	18	–	(5)	–	–	13
Provisions long-term	**151**	**6**	**(28)**	**76**	**–**	**205**
Provision for litigation	90	–	(44)	–	(3)	43
Provisions short-term	**90**	**–**	**(44)**	**–**	**(3)**	**43**

Provisions chiefly cover:

- Risks related to litigations with personnel;
- The restoration expenses of the premises as per the lease agreements; and
- Product assurance warranties.

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

- Lab21 Healthcare Ltd: August 2025
- Microgen Bioproducts Ltd: May 2032
- Primerdesign Ltd: November 2025
- IT-IS International Ltd: September 2022 and December 2023, as there are two sites that do not have co-terminus leases

The provision for litigations may generate a cash payment during 2021.

The provision for product assurance warranties has increased significantly in the year due to higher sales and the notification of a product warranty claim after the year end (see note 50).

The details for the long-term management incentive plan are shown in note 3, and the liability crystalised in November 2020 and the remaining costs are shown against other liabilities.

31. TRADE AND OTHER LIABILITIES

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Trade payables	5,228	1,786	2,497
Accrued invoices	8,016	732	1,072
Social security liabilities	1,082	404	269
Tax liabilities	16,831	122	253
Other liabilities	5,627	31	94
Options classified as liabilities	–	845	5
Total trade and other liabilities	**36,784**	**3,920**	**4,190**

Trade payables and accrued invoices have increased significantly in line with increased revenue. In addition, the improved liquidity position has meant that credit facilities have been secured with many suppliers who previously did not offer such terms.

The 2020 "tax liability" predominantly relates to Value Added Tax ("VAT") payable to HMRC in the UK covering the months of November and December.

The 2020 "other liabilities" balance relates to the second tranche of the LTIP payment that is due to be paid in November 2021.

"Options classified as liabilities" in 2019 relate mainly to the Company's equity warrants granted to Harbert European Growth Capital in connection with the subscription of the €5,000,000 bond issued by Novacyt UK Holdings and to the equity warrants attached to the OCABSAs subscribed by Negma.

32. TAX LIABILITIES

The balance of £15,116,000 at 31 December 2020 (2019: £nil; 2018: £nil) reflects the UK corporation tax liability of the Group. The amount reflects the tax due at the full UK rate (19%) on taxable profits, although in due course, if patents are granted and a Patent Box claim be made, future taxable profits should be taxable at a much lower rate.

33. OTHER CURRENT LIABILITIES

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Deferred income and advance payments received from customers	950	505	341
Total other current liabilities	**950**	**505**	**341**

The balances above relate to customer payments in advance of receiving the products.

34. OTHER LIABILITIES LONG-TERM

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Share-based payment benefits – LTIP, long-term	5,606	–	–
Total other liabilities long-term	**5,606**	**–**	**–**

The 2020 "other liabilities long-term" balance relates to the third tranche of the LTIP payment that is due to be paid in November 2022.

35. SHARE CAPITAL

As of 1 January 2019, the Company's share capital of €2,510,956.06 was divided into 37,664,341 shares with a par value of 1/15th of a Euro each.

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

- On 26 April 2019, the Company completed a capital increase by conversion of one convertible bond Negma from €2,510,956.06 to €2,511,997.73 through the issue of 15,625 shares at a price of €0.160 per share, with a share premium of €1,458.33.
- On 2 May 2019, the Company completed a capital increase by conversion of seven convertible bonds Negma from €2,511,997.73 to €2,519,775.46 through the issue of 116,666 shares at a price of €0.150 per share, with a share premium of €9,722.27.
- On 14 May 2019, the Company completed a capital increase by conversion of 33 convertible bonds Negma from €2,519,775.46 to €2,559,061.13 through the issue of 589,285 shares at a price of €0.140 per share, with a share premium of €43,214.33.
- On 16 May 2019, the Company completed a capital increase by conversion of 27 convertible bonds Negma from €2,559,061.13 to €2,596,561.06 through the issue of 562,499 shares at a price of €0.120 per share, with a share premium of €30,000.07.
- On 12 June 2019, the Company completed a capital increase by conversion of five convertible bonds Negma from €2,596,561.06 to €2,605,820.26 through the issue of 138,888 shares at a price of €0.090 per share, with a share premium of €3,240.80.
- On 18 June 2019, the Company completed a capital increase by conversion of 17 convertible bonds Negma from €2,605,820.26 to €2,637,301.73 through the issue of 472,222 shares at a price of €0.090 per share, with a share premium of €11,018.53.
- On 19 June 2019, the Company completed a capital increase by conversion of 22 convertible bonds Negma from €2,637,301.73 to €2,678,042.46 through the issue of 611,111 shares at a price of €0.090 per share, with a share premium of €14,259.27.
- On 21 June 2019, the Company completed a capital increase by conversion of seven convertible bonds Negma from €2,678,042.46 to €2,691,005.39 through the issue of 194,444 shares at a price of €0.090 per share, with a share premium of €4,537.07.
- On 24 June 2019, the Company completed a capital increase by conversion of eight convertible bonds Negma from €2,691,005.39 to €2,705,820.19 through the issue of 222,222 shares at a price of €0.090 per share, with a share premium of €5,185.20.
- On 28 June 2019, the Company completed a capital increase by conversion of two convertible bonds Negma from €2,705,820.19 to €2,709,986.86 through the issue of 62,500 shares at a price of €0.080 per share, with a share premium of €833.33.
- On 8 July 2019, the Company completed a capital increase by conversion of one convertible bond Negma from €2,709,986.86 to €2,712,367.79 through the issue of 35,714 shares at a price of €0.070 per share, with a share premium of €119.07.
- On 15 July 2019, the Company completed a capital increase by conversion of 30 convertible bonds Negma from €2,712,367.79 to €2,783,796.32 through the issue of 1,071,428 shares at a price of €0.070 per share, with a share premium of €3,571.47.
- On 16 July 2019, the Company completed a capital increase by conversion of ten convertible bonds Negma from €2,783,796.32 to €2,807,605.79 through the issue of 357,142 shares at a price of €0.070 per share, with a share premium of €1,190.53.
- On 1 August 2019, the Company completed a capital increase by conversion of 100 convertible bonds Negma from €2,807,605.79 to €3,057,855.99 through the issue of 3,753,753 shares at a price of €0.070 per share, with a share premium of -€250.20.
- On 6 August 2019, the Company completed a capital increase by conversion of 51 convertible bonds Negma from €3,057,855.99 to €3,185,483.59 through the issue of 1,914,414 shares at a price of €0.070 per share, with a share premium of -€127.60.
- On 12 August 2019, the Company completed a capital increase by conversion of 51 convertible bonds Negma from €3,185,483.59 to €3,312,983.59 through the issue of 1,912,500 shares at a price of €0.070 per share, with no share premium.
- On 23 August 2019, the Company completed a capital increase by conversion of 40 convertible bonds Negma from €3,312,983.59 to €3,412,983.59 through the issue of 1,500,000 shares at a price of €0.070 per share, with no share premium.
- On 28 August 2019, the Company completed a capital increase by conversion of 60 convertible bonds Negma from €3,412,983.59 to €3,562,983.59 through the issue of 2,250,000 shares at a price of €0.070 per share, with no share premium.
- On 11 September 2019, the Company completed a capital increase by conversion of 20 convertible bonds Negma from €3,562,983.59 to €3,612,983.59 through the issue of 750,000 shares at a price of €0.070 per share, with no share premium.

35. SHARE CAPITAL continued

- On 12 September 2019, the Company completed a capital increase by conversion of 18 convertible bonds Negma from €3,612,983.59 to €3,657,983.59 through the issue of 675,000 shares at a price of €0.070 per share, with no share premium.
- On 18 September 2019, the Company completed a capital increase by conversion of 12 convertible bonds Negma from €3,657,983.59 to €3,687,983.59 through the issue of 450,000 shares at a price of €0.070 per share, with no share premium.
- On 23 September 2019, the Company completed a capital increase by conversion of ten convertible bonds Negma from €3,687,983.59 to €3,712,983.59 through the issue of 375,000 shares at a price of €0.070 per share, with no share premium.
- On 25 September 2019, the Company completed a capital increase by conversion of 38 convertible bonds Negma from €3,712,983.59 to €3,807,983.59 through the issue of 1,425,000 shares at a price of €0.070 per share, with no share premium.
- On 27 September 2019, the Company completed a capital increase by conversion of 18 convertible bonds Negma from €3,807,983.59 to €3,852,983.59 through the issue of 675,000 shares at a price of €0.070 per share, with no share premium.
- On 2 October 2019, the Company completed a capital increase by conversion of eight convertible bonds Negma from €3,852,983.59 to €3,872,983.59 through the issue of 300,000 shares at a price of €0.070 per share, with no share premium.
- On 31 January 2020, the Company completed a capital increase resulting from the exercise of 1,679,544 Negma warrants from €3,872,983.59 to €3,984,953.20, through the issue of 1,679,544 shares at a price of €0.070 per share with a share premium of €223,939.20.
- On 17 February 2020, the Company completed a capital increase resulting from the exercise of 228,541 Yorkville warrants from €3,984,953.20 to €4,000,189.27, through the issue of 228,541 shares at a price of €0.070 per share with a share premium of €200,963.72.
- On 17 February 2020, the Company completed a capital increase resulting from the exercise of 886,632 Primerdesign warrants from €4,000,189.27 to €4,059,298.07, through the issue of 886,632 shares at a price of €0.070 per share with a share premium of €969,384.32.
- On 18 February 2020, the Company completed a capital increase resulting from the exercise of 113,368 Primerdesign warrants from €4,059,298.07 to €4,066,855.94, through the issue of 113,368 shares at a price of €0.070 per share with a share premium of €123,949.01.
- On 18 February 2020, the Company completed a capital increase resulting from the exercise of 6,017,192 Harbert warrants from €4,066,855.94 to €4,468,002.06, through the issue of 6,017,192 shares at a price of €0.070 per share with a share premium of €18,853.87.
- On 18 February 2020, the Company completed a capital increase resulting from the exercise of 300,000 Yorkville warrants from €4,468,002.06 to €4,488,002.06, through the issue of 300,000 shares at a price of €0.070 per share with a share premium of €263,800.00.
- On 18 February 2020, the Company completed a capital increase resulting from the exercise of 353,536 Kreos warrants from €4,488,002.06 to €4,511,571.13, through the issue of 353,536 shares at a price of €0.070 per share with a share premium of €489,058.13.
- On 3 June 2020, the Company completed a capital increase by conversion of 2,066,257 Vatel convertible bonds from €4,511,571.13 to €4,708,416.54 through the issue of 2,952,681 shares at a price of €0.070 per share, with a share premium of €1,869,411.09.

	Amount of share capital in £'000	Amount of share capital in €'000	Unit value per share in €	Number of shares issued
At 1 January 2019	**2,117**	**2,511**	**0.07**	**37,664,341**
Capital increase by conversion of OCABSA	1,194	1,362	0.07	20,430,413
At 31 December 2019	**3,311**	**3,873**	**0.07**	**58,094,754**
Capital increase by exercise of warrants	567	638	0.07	9,578,813
Capital increase by conversion of bonds	175	197	0.07	2,952,681
At 31 December 2020	**4,053**	**4,708**	**0.07**	**70,626,248**

As of 31 December 2020, the Company's share capital of €4,708,416.54 was divided into 70,626,248 shares with a par value of 1/15th of a Euro each.

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

36. SHARE PREMIUM ACCOUNT

Amounts in £'000

Balance at 1 January 2019	**47,207**
Premium arising on issue of equity shares	112
Expenses of issue of equity shares	(320)
Balance at 31 December 2019	**46,999**
Premium arising on issue of equity shares	3,697
Expenses of issue of equity shares	(25)
Balance at 31 December 2020	**50,671**

37. OTHER RESERVES

Amounts in £'000

Balance at 1 January 2019	**(4,395)**
Translation differences	2,471
Balance at 31 December 2019	**(1,924)**
Translation differences	(112)
Balance at 31 December 2020	**(2,036)**

38. EQUITY RESERVE

Amounts in £'000

Balance at 1 January 2019	**355**
Conversion of the OCABSA Negma	(19)
Balance at 31 December 2019	**336**
Conversion Vatel bonds	19
Exercise Negma warrants	103
Exercise Harbert European Growth Capital warrants	693
Exercise Primerdesign warrants	4
Balance at 31 December 2020	**1,155**

This reserve represents the equity component of warrants and loans.

39. RETAINED EARNINGS/LOSSES

Amounts in £'000

Balance at 1 January 2019	**(26,981)**
Loss for the year	(5,749)
Other variations	(3,389)
Balance at 31 December 2019	**(36,119)**
Profit for the year	132,423
Other variations	612
Balance at 31 December 2020	**96,916**

40. BUSINESS COMBINATIONS

Acquisition of IT-IS International Ltd

On 15 October 2020, Novacyt UK Holdings Ltd completed the purchase of the entire share capital of IT-IS International Ltd, a company incorporated in England and Wales. The company specialises in the development and manufacturing of PCR diagnostic instruments for the life sciences and food testing industry.

The purchase price was £13,387,000, broken down as follows:

Cash disbursed	£11,564,000
Deferred consideration for reaching a target turnover in year one	£1,016,000
Deferred consideration for reaching a target turnover in year two	£807,000
Total purchase price	**£13,387,000**

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

Net property, plant and equipment	£108,000
Trademark	£843,000
Customer relationships	£1,366,000
Inventory	£1,774,000
Clients and other receivables	£424,000
Suppliers and other creditors	(£4,680,000)
Deferred tax on assets acquired	(£591,000)
Cash acquired	£4,706,000
Fair value of assets acquired and liabilities assumed	**£3,950,000**
Goodwill	**£9,437,000**

The table above shows how the goodwill figure of £9,437,000 is arrived at after allocating the purchase price across all the assets and liabilities acquired. The residual goodwill arising from the acquisition reflects the future growth expected to be driven by new and existing customers, the value of the workforce, patents and know-how.

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 trademark, estimated as a percentage of revenue derived from information available on comparable assets.

IFRS 3 provides for a period of 12 months from acquisition to complete the identification and measurement of the fair value of assets acquired and liabilities assumed. This means that the gross amount of goodwill is subject to adjustment until October 2021.

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 £187,000. They are included on the statement of comprehensive income in the year ended 31 December 2020 as “acquisition related expenses”; see note 11.

IT-IS International contributed £1,077,000 to consolidated revenue in the year ended 31 December 2020 between its consolidation on 15 October 2020 and 31 December 2020.

If the acquisition of the IT-IS International shares were deemed to have been completed on 1 January 2020, the opening date of the Group’s 2020 financial year, consolidated Group revenue would have amounted to £279,781,000 and net profit attributable to owners of the Company of £132,219,000.

40. BUSINESS COMBINATIONS continued

The table below presents the Group income statement for the 12 months period ended on 31 December 2020 as if the acquisition of IT-IS International had been completed on 1 January 2020.

Amounts in £'000	Year ended 31 December 2020 Pro forma
Revenue	279,781
Cost of sales	(66,961)
Gross profit	212,820
Sales, marketing and distribution expenses	(4,867)
Research and development expenses	(1,929)
General and administrative expenses	(31,484)
Governmental subsidies	(3)
Operating profit before exceptional items	174,537
Costs related to acquisitions	(187)
Other operating expenses	(7,215)
Operating profit after exceptional items	167,135
Financial income	85
Financial expenses	(2,357)
Profit before tax	164,863
Tax expense	(32,644)
Profit after tax	132,219
Profit after tax attributable to owners of the Company	132,219

41. DISCONTINUED OPERATIONS

Novacyt had begun the formal sale process for the NOVAprep (Cytology business) and Cambridge Clinical Labs businesses in late 2018. The Cambridge Clinical Lab business was a non-core service business and did not fit in with the long-term high-margin growth strategy for the Group. NOVAprep was being sold as it continued to be loss making and was a drain on working capital.

The NOVAprep business was sold in December 2019 via an Asset Purchase Agreement. The Cambridge Clinical Labs business was sold in July 2019 through the sale of the shares of Lab21 Ltd.

The assets and liabilities available for sale were transferred to the lines "assets classified as held for sale" and "liabilities directly associated with assets classified as held for sale" in the 2018 financial results. The value of these assets and liabilities at December 2018 are presented in the table below:

Amounts in £'000	Cambridge Clinical Labs	NOVAprep	Total
Goodwill	584	–	584
Other intangible assets	–	748	748
Property, plant and equipment	3	253	256
Non-current assets	**587**	**1,001**	**1,588**
Inventories and work in progress	22	414	436
Trade and other receivables	44	–	44
Current assets	**66**	**414**	**480**
Total assets classified as held for sale	**653**	**1,415**	**2,068**
Trade and other liabilities	39	16	55
Total current liabilities	**39**	**16**	**55**
Provisions - long-term	6	16	22
Total non-current liabilities	**6**	**16**	**22**
Total liabilities directly associated with assets classified as held for sale	**45**	**32**	**77**

In accordance with IFRS 5, the net result of the NOVAprep business was transferred to the line "loss from discontinued operations".

The table below presents the detail of the loss generated by this business in 2018 and 2019.

Amounts in £'000	Year ended 31 December 2019	Year ended 31 December 2018
Revenue	1,172	862
Cost of sales	(668)	(636)
Gross profit	**504**	**226**
Sales, marketing and distribution expenses	(772)	(1,035)
Research and development expenses	(137)	(167)
General and administrative expenses	(1,676)	(1,383)
Governmental subsidies	–	78
Operating loss before exceptional items	**(2,081)**	**(2,281)**
Other operating expenses	(249)	(42)
Operating loss after exceptional items	(2,330)	(2,323)
Loss before tax	**(2,330)**	**(2,323)**
Tax (expense) / income	–	–
Loss after tax from discontinued operations	**(2,330)**	**(2,323)**

42. NOTES TO THE CASH FLOW STATEMENT

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Profit/(loss) for the year	132,423	(5,749)
Profit/(loss) from the discontinued activities	–	*(2,330)*
Profit/(loss) from the continuing operations	132,423	*(3,419)*
Adjustments for:		
Depreciation, amortisation, impairment loss and provisions	8,196	1,589
Product warranty provision	19,753	–
Unwinding of discount on contingent consideration	(114)	81
(Increase)/decrease of fair value	–	657
Losses/(gains) on disposal of fixed assets	407	300
Income tax charge	32,751	–
Operating cash flows before movements of working capital	193,416	(3,123)
(Increase)/decrease in inventories	(25,966)	371
(Increase)/decrease in receivables	(80,773)	1,533
Increase/(decrease) in payables	34,838	(752)
Cash used in operations	121,515	(1,971)
Income taxes (paid)/received	(20,574)	72
Finance costs	2,035	958
Net cash used in operating activities	102,976	(941)
Operating cash flows from the discontinued activities	–	*(1,124)*
Operating cash flows from the continuing operations	102,976	*183*

43. LEASES

In application of IFRS 16 as from 1 January 2019, the Group has recognised on the statement of financial position some "right-of-use" assets and lease liabilities.

Novacyt S.A.

Novacyt SA rents a small office in Vélizy, on a rolling 12-month basis.

Primerdesign Limited

A lease exists for the York House site which is used for office, storage, and laboratory purposes. The annual charge for the site (with service charges) is now £176,813 per annum, with all leases running to November 2025.

In November 2020, the company took out a new lease at a nearby site called Unit A, primarily for storage purposes. The lease runs to November 2022 with the first six months incurring a charge of £72,000, and then an annual charge of £97,833.

Microgen Bioproducts Ltd

A lease exists at Watchmoor Park, which has a mixed use for office, storage, and laboratory purposes. 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).

Lab21 Healthcare Ltd

A lease existed for the Bridport site which was being used for manufacturing, storage, and laboratory purposes. The annual charge for the site was £42,940 per annum. In 2020 all manufacturing activities were moved from the Bridport site to Watchmoor Park and in February 2021 the company terminated the Bridport lease and settled all agreed liabilities.

The lease for the Axminster site, which ran until October 2019, was not renewed.

43. LEASES continued

IT-IS International Ltd

A lease exists at units 1, 3 and 4 Wainstones Court, which has a mixed use for office, storage, and production purposes. This commenced in October 2019 and will run until September 2022. The annual charge for the site is £31,500 per annum (including service charges).

In September 2020, the company took out a new 12-month lease at a nearby site called Pulrose House for production purposes. The annual charge for the site is £17,000 per annum.

In December 2020, the company took out a new lease at a nearby site called MMC House, for mixed use of office, storage and production purposes. The lease runs to December 2023 with an annual charge of £75,000 (including service charges).

The table below presents the impacts of the leases in the consolidated income and cash flow statements of the financial years 2020 and 2019:

Amounts in £'000	At 31 December 2020	At 31 December 2019
Interest expense on lease liabilities	184	174
Cash outflows for leases accounted for as per IFRS 16	487	358
Expenses related to short-term and low-value leases	252	88
Total cash outflows for leases	**739**	**446**

44. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern whilst maximising the return to Shareholders through the optimisation of debt and equity balances. The Group's overall strategy is to ensure there is sufficient working capital to optimise the performance of the business.

The capital structure of the Group consists of net debt (borrowings disclosed in note 26 after deducting cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained losses in notes 35 to 39).

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 Finance Director and the Chief Financial Officer. The funding mix of the business is reviewed and managed regularly by the Chief Financial Officer and the Chief Executive Officer.

Gearing ratio

The gearing ratio at the year end is as follows:

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Debt	2,378	9,350	4,846
Cash and cash equivalents	91,765	1,542	1,021
Net (cash)/debt	**(89,387)**	**7,808**	**3,825**
Equity	**150,710**	**12,462**	**18,159**
Net (cash)/debt to equity ratio	**(59%)**	**63%**	**21%**

Debt is defined as long-term and short-term borrowings and lease liabilities (excluding derivatives and financial guarantee contracts) as detailed in notes 26 and 27.

For the year ended 31 December 2020, debt in the table above relates to the leases' liability as per IFRS 16, but for the year ended 31 December 2018, debt in the table above does not include the leases' liability as per IFRS 16.

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

44. FINANCIAL INSTRUMENTS continued

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Financial assets			
Cash and cash equivalents	91,765	1,542	1,021
Loans and receivables	79,396	1,721	3,284
Financial liabilities			
Fair value through profit and loss	(1,834)	845	5
Amortised cost	21,249	12,130	9,924

Financial risk management objectives

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

If a material risk is identified then the Group would look to mitigate that risk through the appropriate measure, such as hedging against currency fluctuations.

The Group does not use complex derivative financial instruments to reduce its economic risk exposures.

Market risk

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

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

Foreign currency risk management

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

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

	Assets and liabilities denominated in EUR			Assets and liabilities denominated in USD		
Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
Assets	5,419	1,869	2,497	6,068	1,083	1,680
Liabilities	(1,995)	(4,459)	(6,112)	(5)	(417)	(291)
Net exposure	3,424	(2,590)	(3,615)	6,063	577	1,389

44. FINANCIAL INSTRUMENTS continued

Foreign currency sensitivity analysis

The Group is mainly exposed to the Euro and US Dollar currencies, used in all segments.

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

	Net exposure		
Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018
EUR	3,424	(2,590)	(3,615)
Conversion rate	0.90472	0.85391	0.90171
Impact GBP strengthening : FX + 5 %	171	(793)	(619)
Impact GBP weakening : FX - 5 %	(171)	(1,149)	(1,065)
USD	6,063	577	1,389
Conversion rate	1.35772	1.11998	1.14430
Impact GBP strengthening : FX + 5 %	(289)	(27)	(66)
Impact GBP weakening : FX - 5 %	319	30	73

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.

44. FINANCIAL INSTRUMENTS continued

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 £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
31 December 2020							
Variable interest rate instruments		–	–	–	–	–	–
Fixed interest rate instruments	7.5	58	103	411	1,566	1,224	3,362
31 December 2019							
Variable interest rate instruments		–	–	–	–	–	–
Fixed interest rate instruments	10.4	348	427	1,707	9,041	1,926	13,451

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 any interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Total £'000
31 December 2020						
Non-interest bearing	–	169,558	1,467	74	234	171,360
31 December 2019						
Non-interest bearing	–	2,499	383	193	378	3,453

Fair value measurements

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

44. FINANCIAL INSTRUMENTS continued

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 £'000			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/20	31/12/19	31/12/18				
1) Contingent consideration	1,834	–	1,415	2	Payments due in September 2021 and 2022, estimated according to the probability of payment		
2) Trade and other payables: Options classified as liabilities – Warrant Primerdesign	–	3	5	2	Monte Carlo simulation model	Expected volatility of 84.3% used for December 2019	If the expected volatility was 5% higher or lower while other variables were held constant, the carrying amount would respectively increase by £5,000 and decrease by £3,000 as at December 2019.
3) Trade and other payables: Options classified as liabilities – Warrant Harbert	–	666	–	2	Monte Carlo simulation model	Expected volatility of 65.9% used for December 2019	If the expected volatility was 5% higher or lower while other variables were held constant, the carrying amount would respectively increase by £320,000 and decrease by £286,000 as at December 2019.
4) Trade and other payables: Options classified as liabilities – warrants Negma	–	176	–	2	Black-Scholes model	Expected volatility of 59.7% used for December 2019	

44. FINANCIAL INSTRUMENTS continued

Fair value measurements recognised in the statement of financial position

	Year ended 31 December 2020			
Amounts in £'000	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Debts from the acquisition of shares	–	1,834	–	1,834
Total liabilities at FVTPL	**–**	**1,834**	**–**	**1,834**

	Year ended 31 December 2019			
Amounts in £'000	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives financial liabilities	–	845	–	845
Total liabilities at FVTPL	**–**	**845**	**–**	**845**

	Year ended 31 December 2018			
Amounts in £'000	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives financial liabilities	–	5	1,415	1,420
Total liabilities at FVTPL	**–**	**5**	**1,415**	**1,420**

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

The table above only shows the fair value of the financial liabilities as the fair value of the applicable financial assets are not materially different from their carrying value.

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

	Carrying amounts		
Amounts in £'000	**Year ended 31 December 2020**	Year ended 31 December 2019	Year ended 31 December 2018
Bonds	**–**	4,108	953
Convertible loan notes	**–**	2,248	3,750
Short-term financing facilities	**–**	721	79

	Fair value		
Amounts in £'000	**Year ended 31 December 2020**	Year ended 31 December 2019	Year ended 31 December 2018
Bonds	**–**	4,115	953
Convertible loan notes	**–**	2,386	3,638
Short-term financing facilities	**–**	721	79

44. FINANCIAL INSTRUMENTS continued

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.

45. COMMITMENTS GIVEN AND RECEIVED

As the Group has repaid all borrowings (excluding the lease liabilities) outstanding at December 2019, the related guarantees granted to the lenders no longer exist.

46. RELATED PARTIES

Parties related to Novacyt SA are:

- the managers, whose compensation is disclosed below; and
- the Directors of Novacyt SA.

Remuneration of key management personnel

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Fixed compensation and company cars	867	990
Variable compensation	495	113
Social security contributions	899	140
Contributions to supplementary pension plans	40	47
Share-based payments – LTIP	14,233	–
Total remuneration	16,534	1,290

Aggregate directors' remuneration

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Fixed compensation and company cars	705	591
Variable compensation	330	60
Social security contributions	658	100
Contributions to supplementary pension plans	29	26
Fees	33	24
Share-based payments – LTIP	11,110	–
Total remuneration	12,866	801

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

47. AUDIT FEES

Amounts in £'000	Year ended 31 December 2020	Year ended 31 December 2019
Fees payable to the Company's Auditor and its associates in respect of the audit		
Group audit of these financial statements	144	84
Audit of the Company's subsidiaries' financial statements	232	95
Total audit remuneration	376	179
Fees payable to the Company's Auditor and its associates in respect of non-audit-related services		
Audit-related assurance services	–	7
All other services	14	18
Total non-audit-related remuneration	14	25

48. IMPACT OF BREXIT ON THE GROUP'S ACTIVITY

The UK left the EU on 31 January 2020, and the Brexit transition period ended on 31 December 2020 with a Trade and Cooperation Agreement ("TCA") in place between the UK and EU. Our overriding priority in preparing for the UK's exit from the EU has been to maintain continuity of supply of our products to customers.

To date, the impact of Brexit has not had a material impact on the business but as we are in the early stages of the post-Brexit era, management continues to monitor and manage the situation.

49. SUBSEQUENT EVENTS

After the year end, the Group received notification of a contract dispute (see note 50).

50. CONTINGENT LIABILITIES

After the year end, the Group received notification of a contract dispute related to revenue totalling £129,124,000 in respect of performance obligations satisfied during the financial year to 31 December 2020. £23,957,000 of invoices in respect of products delivered during the year is outstanding at the date of signing the financial statements and recovery of the invoice is dependent on the outcome of the dispute.

After the year end, a further £49,034,000 of product delivered and invoiced in 2021 is unpaid and part of the commercial discussions that are ongoing.

The Group has taken independent legal advice and a provision has been made in the financial statements in respect of management's best estimate in respect of this claim (see note 30).

Management and the Board of Directors have discussed the legal advice presented to them and have formed a judgment that, in accordance with the contractual terms, it should be possible to replace the products in dispute and a product warranty provision has been made accordingly.

If a claim under the limited assurance warranty is successful then management's best estimate of the settlement cost is up to a maximum of £19,753,000, as per note 30, the timing of any outflow is dependent on settlement of the dispute. If no settlement is achieved and legal action is required, the timing of any possible outflow will be extended.

It is possible, but not probable, that the refund claim under the limited assurance warranty will be successful. The timing of any cash outflow is dependent upon the success of a claim and the terms negotiated for repayment.

If the settlement of the claim is materially different from management's determination of replacing the products, the financial statements with regards to revenue and the provision for product warranty could be significantly impacted.

Glossary of terms

CE mark	Conformitè Europëenne
COVID-19	coronavirus disease of 2019
CROs	clinical research organisation
ELISA	enzyme-linked immunosorbent assay
EUA	emergency use approval
EUL	emergency use listing
FDA	US food and drug administration
GSK	GlaxoSmithKline
IVD	in vitro diagnostic
LFT	lateral flow tests
LTA	long term agreement
PCR	polymerase chain reaction
POC	point of care
qPCR	quantitative polymerase chain reaction
RNA	ribonucleic acid
RSV	respiratory syncytial virus
RUO	research use only
UNICEF	United Nations Children's Fund
VOC	variants of concern

Company Information

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(Joint Broker)	**Numis Securities Limited** The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT United Kingdom
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