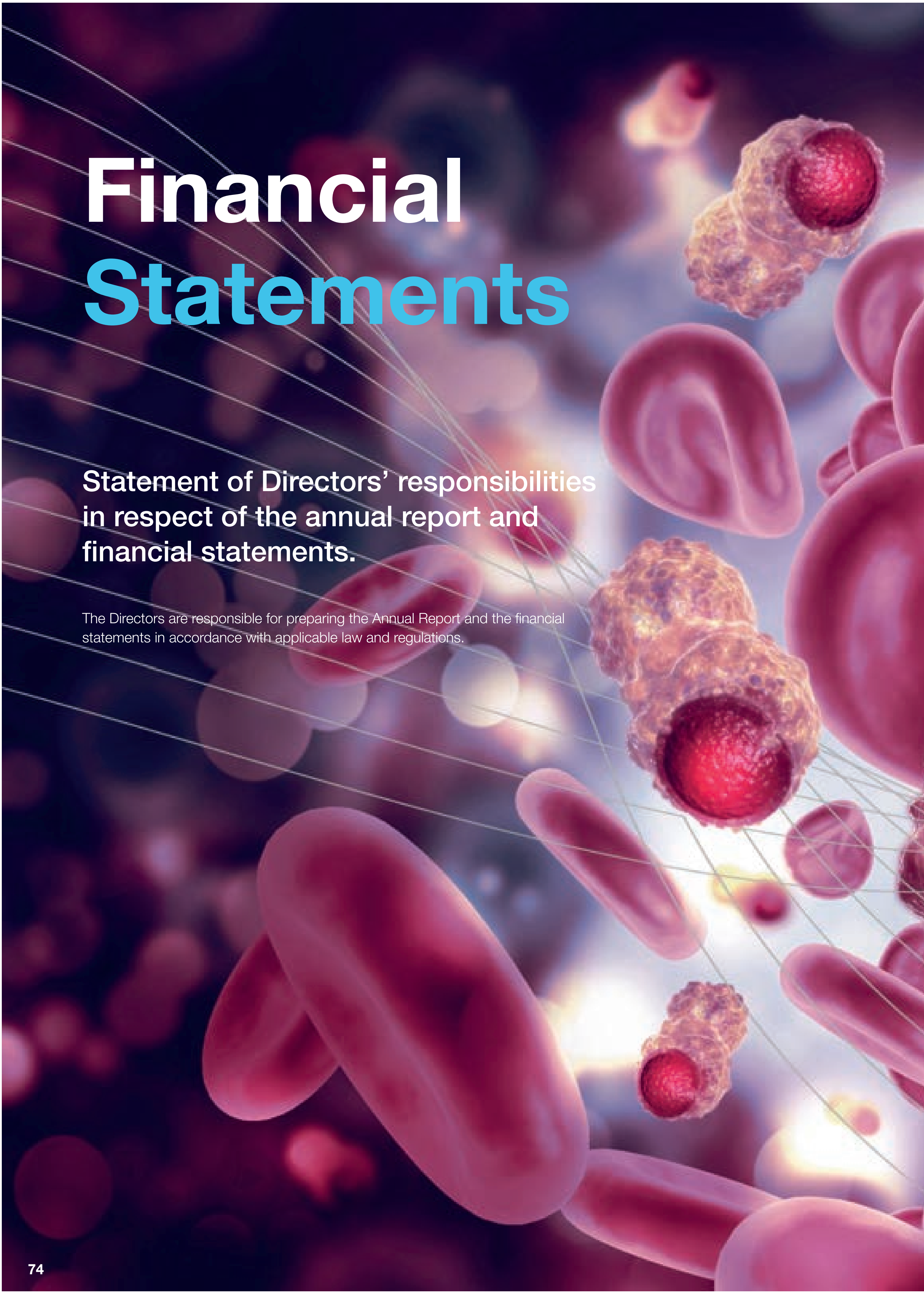

Financial Statements

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	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

WACC rates / Terminal growth rates							
1,917	**0.0%**	**0.5%**	**1.0%**	**1.5%**	**2.0%**	**2.5%**	**3.0%**
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

		Terminal growth rates						
	180,961	0.0%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
WACC rates	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 31/12/20	31/12/19	31/12/18	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Contingent consideration	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

Directors	James Wakefield Graham Mullis Anthony Dyer Dr Andrew Heath Dr Edwin Snape Jean-Pierre Crinelli Juliet Thompson
Company Secretary	Nick Plummer
Registered office	**Novacyt S.A.** 13 Avenue Morane Saulnier 78140 Vélizy-Villacoublay France
Registered number	491 062 527 (France)
Company website	www.novacyt.com
(Nominated Advisor and Joint Broker)	**S. P. Angel Corporate Finance LLP*** Prince Frederick House 35-39 Maddox Street London W1S 2PP United Kingdom
(Joint Broker)	**Numis Securities Limited** The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT United Kingdom
French Listing Sponsor	**Allegra Finance** 213 Boulevard Saint-Germain 75007 Paris France
Legal advisers to the Company	**English law:** **Stephenson Harwood LLP** 1 Finsbury Circus London EC2M 7SH United Kingdom **Pitmans LLP** 47 Castle Street Reading RG1 7SR United Kingdom **French law:** **Stance Avocats** 37-39 Avenue de Friedland Paris 75008 France
Auditors	**Deloitte & Associés** 6 place de la Pyramide 92908 Paris-La Défense Cedex France Téléphone: +33 (0) 1 40 88 28 00 www.deloitte.fr **Adresse postale:** TSA 20303 92030 La Défense Cedex **Constantin Limited** Statutory Auditor 25 Hosier Lane London EC1A 9LQ United Kingdom
Bankers	**Banque Populaire Val de France** Accueil Entreprises Trs 2 Avenue De Milan 37924 Tours Cedex 9 **Barclays Bank plc** 48a - 50 Lord Street Liverpool L2 1TD United Kingdom **National Westminster Bank plc** Southampton University Southampton Customer Service Centre Brunswick Gate 23 Brunswick Place SO15 2AQ **Investec Bank PLC** 30 Gresham Street London 3C2V 7QP United Kingdom **HSBC** Bonham Strand Commercial Service Centre 35-45 Bonham Strand Sheung Wan Hong Kong **Bank of China** First Floor No. 50 Tai Nan Road Pudong Shanghai 200131

Consultancy, design and production by:
jonesandpalmer.co.uk

NOVACYT
GROUP

Headquarters:
Novacyt Group (UK)
Unit 1, Watchmoor Point, Watchmoor
Road, Camberley, Surrey GU15 3AD
T +44 (0) 1276 600 081
F +44 (0) 1276 600 151
E investor.relations@novacyt.com

www.novacyt.com

Registered Address:
Novacyt Group (France)
13 Avenue Morane Saulnier 78140
Vélizy-Villacoublay, France
Registered Number: 491 062 527