

**MICROGEN BIOPRODUCTS LIMITED**

**Annual Report and Financial Statements**

**31 December 2018**



# **MICROGEN BIOPRODUCTS LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Independent auditor's report</b>	<b>5</b>
<b>Statement of comprehensive income</b>	<b>8</b>
<b>Statement of financial position</b>	<b>9</b>
<b>Statement of changes in equity</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11</b>

# **MICROGEN-BIOPRODUCTS LIMITED**

---

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

A W Dyer  
G D Mullis  
P B Sefton

#### **REGISTERED OFFICE**

Unit 1 Watchmoor Point  
Watchmoor Road  
Camberley  
GU15 3AD  
United Kingdom

#### **BANKERS**

Barclays Business Banking  
Guildford Team, PO Box 673  
Town Gate House  
Church Street East  
Woking  
BX3 2BB

#### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
Cambridge  
United Kingdom

# **MICROGEN BIOPRODUCTS LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

The directors have taken the small companies exemption contained in s414B of the Companies Act 2006 from the requirement to prepare a strategic report.

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

### **PRINCIPAL ACTIVITY**

The principal activity of the company is that of the development, manufacture and sale of clinical diagnostic kits and products for the detection of food and environmental pathogens and contaminants.

### **RESULTS AND DIVIDENDS**

As shown in the company's Statement of Comprehensive Income on page 7, the company's revenue amounted to £2,633k (2017 - £2,588k), whilst the company incurred a loss before tax of £225k (2017 - £219k) for the year.

As shown in the company's Statement of Financial Position on page 8, net assets amounted to £444k (2017 - £669k).

The directors do not recommend payment of a dividend (2017 - £nil).

### **FUTURE DEVELOPMENTS**

The company will continue to manufacture diagnostic reagents which are sold to other diagnostic companies, to be included in their own range of related products as bulk reagents or in kit format.

### **RESEARCH AND DEVELOPMENT**

The company needs to continually innovate and design new tests and diagnostic procedures to detect new strains of bacteria and other pathogens.

### **RESEARCH AND DEVELOPMENT**

The company undertook research and development in a number of product areas, including continued improvements to existing products and new research, within its principal activity.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

#### ***Cash flow risk***

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company does not hedge against this exposure.

#### ***Credit risk***

The Company's principal financial assets are bank balances and cash and trade and other receivables.

The Company's credit risk is primarily attributable to its trade and intercompany receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

#### ***Liquidity risk***

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses intercompany finance.

# **MICROGEN BIOPRODUCTS LIMITED**

---

## **DIRECTORS' REPORT**

### **GOING CONCERN**

The company is financed by Novacyt SA, its parent company (together with its subsidiaries "the Group").

Novacyt SA is financed by a combination of debt and equity. In April 2019, Novacyt SA entered into a €5,000,000 convertible bond facility and immediately drew down €2,000,000, the proceeds of which will primarily be used for general working capital purposes and to support planned growth of the Group's business in the short to medium term.

The directors of Novacyt SA have prepared a cash flow forecast which covers the period up to and including August 2020 and includes a number of assumptions, including further bond issuances. Further bond issuances, beyond the initial €2,000,000, are dependent on certain conditions, such as a cool down period, and Novacyt SA's average daily volume and minimum share price prior to each draw down request. Having made appropriate inquiries, the directors anticipate that Novacyt SA will be able to draw sufficient funds to support its working capital requirements but, as they are outside of Novacyt SA's direct control, the ability to do so constitutes a material uncertainty.

Whilst the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing these financial statements, the existence of this material uncertainty may cast significant doubt about the Company's ability to continue as a going concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business. In the event that the Company ceased to be a going concern, it is expected that there would be material adjustments required to the financial statements.

### **SUBSEQUENT EVENTS**

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

### **DIRECTORS**

The directors who served during the year and to the date of approval of this report were as follows:

G D Mullis

A W Dyer

P B Sefton (appointed 1 February 2018)

### **DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

# **MICROGEN BIOPRODUCTS LIMITED**

## **DIRECTORS' REPORT**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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 financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **AUDITOR**

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf



A W Dyer

Director

Date: 7<sup>th</sup> August 2019

---

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICROGEN BIOPRODUCTS LIMITED (continued)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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.

A further description of our responsibilities for the audit for the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICROGEN BIOPRODUCTS LIMITED**

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Microgen Bioproducts Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the Related Notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements, which indicates that the company will continue to be reliant on group financing, the availability of which is uncertain. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICROGEN BIOPRODUCTS LIMITED (continued)**

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

We have nothing to report in respect of these matters.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Matthew Hall*

**Matthew Hall FCA (Senior Statutory Auditor)**

**For and on behalf of Deloitte LLP**

Statutory Auditor

Cambridge, United Kingdom

Date: 7th August 2019

# MICROGEN BIOPRODUCTS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 £'000	2017 £'000
<b>Continuing Operations</b>			
<b>REVENUE</b>	3	2,633	2,588
Cost of sales		(1,123)	(1,119)
<b>GROSS PROFIT</b>		1,510	1,469
Administrative expenses		(1,720)	(1,539)
Exceptional costs	5	(37)	(199)
Other operating income		43	51
<b>OPERATING LOSS</b>		(204)	(218)
Finance cost	8	(31)	(10)
Finance income	8	10	9
<b>LOSS BEFORE TAX</b>	4	(225)	(219)
Tax on loss	9	-	-
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE COMPANY</b>		<u>(225)</u>	<u>(219)</u>

There were no other items of comprehensive income in either the current year or preceding year.

# MICROGEN BIOPRODUCTS LIMITED

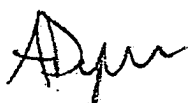
## STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 £'000	2017 £'000
<b>NON-CURRENT ASSETS</b>			
Other intangible assets	10	124	131
Property, plant and equipment	11	582	657
Other receivables	14	95	95
		<u>801</u>	<u>883</u>
<b>CURRENT ASSETS</b>			
Inventory	13	486	392
Trade and other receivables	14	858	575
Cash at bank and in hand		142	124
		<u>1,486</u>	<u>1,091</u>
<b>TOTAL ASSETS</b>		<u>2,287</u>	<u>1,974</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(1,776)	(1,252)
<b>NON-CURRENT LIABILITIES</b>			
Provisions	16	(67)	(53)
<b>TOTAL LIABILITIES</b>		<u>(1,843)</u>	<u>(1,305)</u>
<b>NET ASSETS</b>		<u>444</u>	<u>669</u>
<b>EQUITY</b>			
Called up share capital	17	211	211
Share premium account		77	77
Other reserves		110	110
Retained earnings		46	271
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u>444</u>	<u>669</u>

The financial statements of Microgen Bioproducts Limited, registered number 02832020, were approved by the Board of Directors and authorised for issue on 7<sup>th</sup> August 2019.

Signed on behalf of the Board of Directors



A W Dyer

Director

# MICROGEN BIOPRODUCTS LIMITED

## STATEMENT OF CHANGES IN EQUITY As at 31 December 2018

	Called up share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017	208	80	110	490	888
Loss for the year	-	-	-	(219)	(219)
Total comprehensive expense for the year	-	-	-	(219)	(219)
Issue of share capital adjustment relating to 2010 acquisition by Lab21 Limited	3	(3)	-	-	-
Balance at 31 December 2017	211	77	110	271	669
Loss for the year	-	-	-	(225)	(225)
Total comprehensive expense for the year	-	-	-	(225)	(225)
Balance at 31 December 2018	211	77	110	46	444

# MICROGEN BIOPRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### **General information and basis of accounting**

Microgen Bioproducts Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1.

The principal activity of the company and the nature of its operations are set out in the Directors' Report on page 2.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group accounts of Novacyt SA. The group accounts of Novacyt SA are available to the public and can be obtained as set out in note 21.

**Amendments to IFRS Standards and the new Interpretation that are mandatorily effective for the current year**

#### **Impact of initial application of IFRS 9 *Financial Instruments***

In the current year, the Company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

#### **(a) *Classification and measurement of financial assets***

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

# MICROGEN BIOPRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

### 1. ACCOUNTING POLICIES (continued)

**Amendments to IFRS Standards and the new Interpretation that are mandatorily effective for the current year (continued)**

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in other comprehensive income; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial assets.

#### *(b) Impairment of financial assets*

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

1. Debt investments measured subsequently at amortised cost; and,
2. Trade receivables and contract assets.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables and contract assets in certain circumstances.

The application of IFRS 9 has had no impact on the impairment of the Company's financial liabilities.

#### *(c) Classification and measurement of financial liabilities*

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

# MICROGEN BIOPRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 1. ACCOUNTING POLICIES (continued)

**Amendments to IFRS Standards and the new Interpretation that are mandatorily effective for the current year (continued)**

#### *(d) General hedge accounting*

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required.

The company did not adopt any hedge accounting in either the current year or the preceding year. Accordingly, the adoption of IFRS 9 has had no impact in relation to hedge accounting.

#### **Impact of application of IFRS 15 *Revenue from Contracts with Customers***

In the current year, the Company has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15.C5(a) and (b), or for modified contracts in IFRS 15.C5(c).

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position.

The Company's accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

#### **Impact of application of IFRS 16 *Leases***

IFRS 16 will have a material impact on the reported assets, liabilities and income statement. Furthermore, extensive disclosures will be required by IFRS 16. Beyond this, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

#### **Going concern**

The company is financed by Novacyt SA, its parent company (together with its subsidiaries "the Group").

Novacyt SA is financed by a combination of debt and equity. In April 2019, Novacyt SA entered into a €5,000,000 convertible bond facility and immediately drew down €2,000,000, the proceeds of which will primarily be used for general working capital purposes and to support planned growth of the Group's business in the short to medium term:

The directors of Novacyt SA have prepared a cash flow forecast which covers the period up to and including August 2020 and includes a number of assumptions, including further bond issuances. Further bond issuances, beyond the initial €2,000,000, are dependent on certain conditions, such as a cool down period, and Novacyt SA's average daily volume and minimum share price prior to each draw down request. Having made appropriate inquiries, the directors anticipate that Novacyt SA will be able to draw sufficient funds to support its working capital requirements but, as they are outside of Novacyt SA's direct control, the ability to do so constitutes a material uncertainty.

Whilst the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing these financial statements, the existence of this material uncertainty may cast significant doubt about the Company's ability to continue as a going concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business. In the event that the Company ceased to be a going concern, it is expected that there would be material adjustments required to the financial statements.

# **MICROGEN BIOPRODUCTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2018**

### **1. ACCOUNTING POLICIES (continued)**

#### **Foreign currency**

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

#### **Revenue**

The Company recognises revenue from the sale of clinical diagnostic kits and products for the detection of food and environmental pathogens and contaminants.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

#### *Contracted research and testing services*

The company provides research and testing services to its customers in exchange for a fee which is generally dependent on the resource dedicated to the project. Revenue on such contracts is recognised when the services are rendered.

#### *Product sales*

The company recognises the revenue attributable to product sales upon shipment of the product, when there are no specific vendor obligations remaining.

The amount, if any, by which the amount invoiced exceeds recorded revenue is shown within liabilities as deferred income. The amount, if any, by which recorded revenue is in excess of amounts invoiced is shown within receivables as accrued income.

#### **Pension costs**

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

#### **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 the operating profit in the historical financial information.

#### **Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

#### **Other operating income**

Other operating income includes any research and development tax credit where an actual cash income has been or is expected to be received.



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2018**

**1. ACCOUNTING POLICIES (continued)**

**Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income 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.

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 statement of financial position 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.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 statement of financial position date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company 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 Company intends to settle its current tax assets and liabilities on a net basis.

**Current tax and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**Internally-generated intangible assets – research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the company's development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

# MICROGEN BIOPRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 1. ACCOUNTING POLICIES (continued)

#### Internally-generated intangible assets – research and development expenditure (continued)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortisation period for each class of intangible asset is as follows:

Computer software	33% straight line
-------------------	-------------------

#### Intellectual property

Intellectual property is measured initially at purchase cost and is amortised on a straight-line basis over its estimated useful life.

#### Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Short-term leasehold improvements	Period of lease
Plant and machinery	Straight line over 3 to 6 years
Fixtures, fittings and furniture	Straight line over 3 to 6 years
Computer equipment	Straight line over 3 years
Office equipment	Straight line over 2 years

Useful lives and residual values are reviewed at the end of every reporting period.

#### Impairment of property, plant and equipment

At each statement of financial position date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

#### Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis. Net realisable value is based on estimated selling price. Provision is made for obsolete, slow-moving or defective items where appropriate.

# **MICROGEN BIOPRODUCTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2018**

### **1. ACCOUNTING POLICIES (continued)**

#### **Financial assets**

Trade and other receivables are classified as loans and receivables, these are initially recognised at fair value. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit and loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an expected credit loss allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **Financial liabilities**

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the profit and loss.

A financial liability is derecognised only when the obligation is extinguished.

#### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **Equity**

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Share premium" represents the consideration over the nominal value received on issue of shares, net of expenses
- "Other reserves" represent a capital redemption reserve being the nominal value of shares cancelled by the company
- "Retained earnings" represents retained profits or losses.

# MICROGEN BIOPRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

### 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, 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 judgements in applying the Company's accounting policies

Other than those involving estimations (which are dealt with separately below), the directors have not made any critical judgements in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Capitalised development costs – recoverability

During the year, management reconsidered the recoverability of its internally-generated intangible asset which is included in the statement of financial position at £120k (2017 - £125k). The directors do not consider that there are any indicators of impairment because they see future economic value in the asset and expect to see revenue streams over the coming years that cover the development costs. See note 10 for the carrying value of the development costs at the statement of financial position date.

### 3. REVENUE

All of the company's revenue, in both the current year and the prior year, was derived from the Company's principal activity.

Furthermore, all revenue was derived from the provision of services and goods and was recognised at a point in time.

An analysis of the Company's turnover by geographical market is set out below.

	2018 £'000	2017 £'000
<b>Revenue:</b>		
Geographical market Africa	11	7
Geographical market Europe	1,668	1,605
Geographical market Asia-Pacific	458	469
Geographical market America	343	391
Geographical market Middle East	153	116
	<u>2,633</u>	<u>2,588</u>

# MICROGEN BIOPRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 4. LOSS BEFORE TAX

	2018 £'000	2017 £'000
<b>Loss before tax is after charging (crediting):</b>		
Depreciation of property, plant and equipment	113	74
Amortisation of other intangible fixed assets	38	45
Cost of inventories recognised as an expense	648	717
Write down of inventories recognised as an expense	-	2
Reversal of write down of inventories recognised in the period	(2)	(11)
Net (gain)/loss on foreign currency translation	(6)	5
Research and development costs	82	50
Operating lease rentals	253	246
	<u>253</u>	<u>246</u>

In 2017 inventory write down reversed as obsolete products written off in the period so provision was released.

The analysis of auditor's remuneration is as follows:

	2018 £'000	2017 £'000
<b>Fees payable to the Company's auditor for the audit of the Company's annual accounts</b>	<u>19</u>	<u>31</u>

No amounts were payable in respect of non-audit fees.

### 5. EXCEPTIONAL COSTS

	2018 £'000	2017 £'000
Site move	-	154
Restructuring	-	40
Other	37	5
	<u>37</u>	<u>199</u>

The exceptional costs in 'other' related to fees incurred in preparing for the expected operational impact on the business that the sale of the Cambridge Clinical labs and the NOVAprep business would have on the Organisation.

# MICROGEN BIOPRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 6. EMPLOYEE REMUNERATION

	2018 £'000	2017 £'000
The aggregate staff costs were as follows:		
Wages and salaries	874	775
Social security costs	86	69
Other pension costs	32	28
Other benefits	23	18
	<u>1,015</u>	<u>890</u>
	No.	No.
The average monthly number of employees during the year was as follows:		
Production	13	12
Administration	4	3
Sales and marketing	7	8
Research and development	2	1
	<u>26</u>	<u>24</u>

### 7. DIRECTORS' REMUNERATION

	2018 £'000	2017 £'000
Emoluments	69	-
Company contributions to money purchase schemes	4	-
	<u>73</u>	<u>-</u>
	No	No
Number of directors accruing retirement benefits under the money purchase pension scheme	1	-

During the year only one of the directors or key management personnel received any emoluments from the company. The other directors and key management personnel are remunerated through the parent company and details of their emoluments as directors of the group are shown in the accounts of that company.

No director received shares for qualifying services or exercised any share options in either the current or prior year.

# MICROGEN BIOPRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 8. FINANCE COST AND FINANCE INCOME

	2018 £'000	2017 £'000
<i>Interest payable and similar charges</i>		
Intercompany interest	(31)	(10)
<i>Investment income</i>		
Bank interest	-	4
Intercompany interest	10	5
	<u>10</u>	<u>9</u>

### 9. TAX ON LOSS

	2018 £'000	2017 £'000
<b>Current taxation</b>		
United Kingdom corporation tax at the blended standard rate of 19% (2017 - 19.25%)	-	-

#### Factors affecting the tax charge for the year

The tax assessed on the loss for the year differs from the blended standard rate of corporation tax in the UK. The differences are explained below:

	2018 £'000	2017 £'000
Loss before taxation	(225)	(219)
Loss multiplied by the blended standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	(43)	(42)
Effect of:		
Disallowed expenses and non-taxable income	(8)	(10)
Group relief	30	-
Capital allowances in excess of depreciation	4	14
R&D enhanced allowances	(21)	(13)
Unrelieved tax losses	38	51
Tax charge for the year	<u>-</u>	<u>-</u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020 as enacted by the Finance Act 2019, that gained Royal Assent in February 2019. The closing deferred tax assets and liabilities have been calculated at 17%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

# MICROGEN BIOPRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

### 10. INTANGIBLE FIXED ASSETS

	Computer software £'000	Development costs £'000	Intellectual Property £'000	Total £'000
<b>Cost</b>				
At 1 January 2018	73	177	-	250
Additions	-	29	4	33
Disposals	(37)	-	-	(37)
At 31 December 2018	36	206	4	246
<b>Amortisation</b>				
At 1 January 2018	67	52	-	119
Charge for the year	4	34	-	38
Disposals	(35)	-	-	(35)
At 31 December 2018	36	86	-	122
<b>Net book value</b>				
At 31 December 2018	-	120	4	124
At 31 December 2017	6	125	-	131

### 11. PROPERTY, PLANT AND EQUIPMENT

	Short-term leasehold improve- ments £'000	Plant and machinery £'000	Fixtures, fittings and furniture £'000	Computer and office equipment £'000	Total £'000
<b>Cost</b>					
At 1 January 2018	576	326	57	159	1,118
Additions	10	7	-	21	38
Disposals	(114)	-	-	-	(114)
At 31 December 2018	472	333	57	180	1,042
<b>Depreciation</b>					
At 1 January 2018	90	248	57	66	461
Charge for the year	33	40	-	40	113
Disposals	(114)	-	-	-	(114)
At 31 December 2018	9	288	57	106	460
<b>Net book value</b>					
At 31 December 2018	463	45	-	74	582
At 31 December 2017	486	78	-	93	657



# MICROGEN BIOPRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 12. DEFERRED TAX ASSET

The amounts of deferred tax assets not provided are as follows:

	2018	Not provided 2017
	£'000	£'000
Accelerated/(Decelerated) capital allowances	34	(30)
Other short term timing differences	(1)	-
Tax losses	(83)	(57)
	<u>(50)</u>	<u>(87)</u>

The tax losses are recoverable against future trading profits from the same trades.

No deferred tax asset has been recognised in respect of these losses as there is insufficient reliable evidence that they will be utilised.

### 13. INVENTORY

	2018	2017
	£'000	£'000
Raw materials	164	141
Work in progress	93	71
Finished goods	229	180
	<u>486</u>	<u>392</u>

There is no provision against inventory. The cost of inventories recognised as an expense and included in "cost of sales" amounted to £646k (2017 - £708k).

### 14. TRADE AND OTHER RECEIVABLES

	2018	2017
	£'000	£'000
<b>Current</b>		
Trade receivables: Gross & Net	393	263
Amounts due from group undertakings	370	201
Other receivables	25	10
Prepayments	70	101
	<u>858</u>	<u>575</u>
<b>Non-current</b>		
Other receivables – rent deposit	95	95

# MICROGEN BIOPRODUCTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 14. TRADE AND OTHER RECEIVABLES (continued)

All trade and other receivables have been reviewed for impairment.

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the receivables have been reviewed for indicators of impairment.

Under a Management Services Agreement, the companies within the Novacyt group provide services, which are recharged across the group, plus the group operates a cash pooling function across all its companies. Interest on any group undertaking balances is charged at 3% above the Bank of England base rate. Any balance is payable on demand. No security is held.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2018 £'000	2017 £'000
Not more than 3 months	138	77
More than 3 months but not more than 6 months	16	-
More than 6 months but not more than 1 year	25	-
More than 1 year	1	1
	<u>180</u>	<u>78</u>

### 15. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
<b>Current</b>		
Trade payables	407	195
Amounts due to group undertakings	1,142	857
Social security and other taxes	31	21
Other payables	20	22
Accruals	176	157
	<u>1,776</u>	<u>1,252</u>

The carrying amount of trade and other payables is considered to approximate to fair value.

Under a Management Services Agreement, the companies within the Novacyt group provide services, which are recharged across the group, plus the group operates a cash pooling function across all its companies. Interest on any group undertaking balances is charged at 3% above the Bank of England base rate. Any balance is payable on demand. No security is held.

As at 31 December 2018 the Company's financial liabilities all have contractual maturities due within 6 months.

# **MICROGEN BIOPRODUCTS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2018**

### **16. PROVISIONS**

	Dilapidations £'000
At 1 January 2018	53
Created	14
	<hr/>
At 31 December 2018	67
	<hr/>

The dilapidations provision relates to obligations to make good dilapidations existing at 31 December 2018. The related cash outflows for £45k, relating to the old site, are expected to be incurred within one year of the balance sheet date.

### **17. CALLED UP SHARE CAPITAL**

	2018 £'000	2017 £'000
Called up, authorised, allotted and fully paid 210,500 ordinary shares of £1 each	<hr/> 211	<hr/> 211

### **18. OPERATING LEASE ARRANGEMENTS**

The Company's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
within one year	168	168	8	8
between two and five years	673	671	24	24
	<hr/> 841	<hr/> 839	<hr/> 32	<hr/> 32

The lease expense for the year was £253k (2017 - £246k).

### **19. RELATED PARTY TRANSACTIONS**

#### **Remuneration of key management personnel**

The directors (apart from one shown under note 6) and key management personnel are remunerated through the parent company and details of their emoluments as directors of the group are shown in the accounts of that company.

## **MICROGEN BIOPRODUCTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2018**

#### **20. SUBSEQUENT EVENTS**

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

#### **21. ULTIMATE PARENT COMPANY**

The company is a subsidiary undertaking of Lab 21 Limited, whose registered office is Unit 1, Watchmoor Point, Watchmoor Road, Camberley, GU13 3AD, United Kingdom.

The largest and smallest group in which the results of the company are consolidated, for the year ended 31 December 2018, was that headed by Novacyt SA. The consolidated accounts of Novacyt SA are available to the public and may be obtained from Immeuble le Nungesser, 13 Avenue Morane Saulnier, 78140, Velizy-Villacoublay, France.

The ultimate parent company and controlling party at the date of approval of these financial statements was Novacyt SA.