

**LAB21 HEALTHCARE LIMITED**

**Report and Financial Statements**

**31 December 2017**

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# **LAB21 HEALTHCARE LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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# **LAB21 HEALTHCARE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2017**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

A W Dyer  
G D Mullis

#### **REGISTERED OFFICE**

Unit 1 Watchmoor Point  
Watchmoor Road  
Camberley  
GU15 3AD

#### **BANKERS**

Barclays Bank PLC  
Town Gate House  
Church Street East  
Woking  
Surrey  
GU21 6AE

#### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
Cambridge, United Kingdom

# **LAB21 HEALTHCARE LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

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 the development and production of immunodiagnostics for infectious diseases.

### **RESULTS AND DIVIDENDS**

As shown in the company's statement of comprehensive income on page 7, the company's revenue amounted to £2,608k (2016 - £2,254k), whilst the company incurred a loss before tax of £90k (2016 - £7k) for the year.

As shown in the company's statement of financial position on page 8, net assets amounted to £54k (2016 - £144k) of which £629k (2016 - £381k) related to group undertakings as set out in notes 11 and 12.

The directors do not recommend payment of a dividend (2016 - £nil).

### **FUTURE DEVELOPMENTS**

The company will continue to manufacture diagnostic reagents.

### **GOING CONCERN**

The company is financed by Novacyt SA, its parent company (together with its subsidiaries "the Group"). Novacyt SA has confirmed to the directors that it will not request repayment of the intercompany finance for a period of at least 12 months from the date of approval of these financial statements, unless the company is in a position to do so. Based on discussions with Novacyt SA, the directors consider that the Company forms an integral part of Novacyt SA's strategy and business model.

In order to assess the ability of Novacyt SA to continue as a going concern, the directors have obtained a copy of Novacyt SA's cash flow forecast (the "Forecast") for the period to 31 May 2019 (the "Forecast Period"). The Forecast includes a number of material assumptions, including the level of sales and profitability, which are inherently uncertain. The Forecast shows that Novacyt SA will be able to continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements.

The Directors have a reasonable expectation that the parent, and therefore the Company, will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

### **DIRECTORS**

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

G D Mullis

A W Dyer

### **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.

## LAB21 HEALTHCARE 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
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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

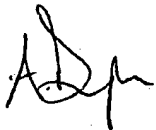
Each of the persons who is a director at the date of approval of this annual report confirms that:

- 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/she ought to have taken as a director to make himself/herself 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: 22 May 2018

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAB21 HEALTHCARE LIMITED**

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

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Lab 21 Healthcare Limited (the 'company') which comprise:

- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the Related Notes 1 to 19.

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 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.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAB21 HEALTHCARE 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **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.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAB21 HEALTHCARE LIMITED (continued)**

## **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.

### **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.

*Matthew Hall*

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

**For and on behalf of Deloitte LLP**

Statutory Auditor

Cambridge, United Kingdom

*22nd May 2018*



# LAB21 HEALTHCARE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Continuing Operations</b>			
<b>REVENUE</b>	3	2,608	2,254
Cost of sales		(1,604)	(1,417)
<b>GROSS PROFIT</b>		1,004	837
Administration expense		(1,109)	(850)
Other income	3	24	11
<b>OPERATING LOSS</b>		(81)	(2)
Finance cost	6	(9)	(6)
Finance income	6	-	1
<b>LOSS BEFORE TAX</b>	4	(90)	(7)
Tax on loss	7	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE COMPANY</b>		<u>(90)</u>	<u>(7)</u>

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

# LAB21 HEALTHCARE LIMITED

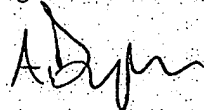
## STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>NON-CURRENT ASSETS</b>			
Intangible assets	8	2	-
Property, plant and equipment	9	36	43
Other receivables	11	-	7
		<u>38</u>	<u>50</u>
<b>CURRENT ASSETS</b>			
Inventory	10	393	353
Trade and other receivables	11	782	547
Cash at bank and in hand		35	118
		<u>1,210</u>	<u>1,018</u>
<b>TOTAL ASSETS</b>		<u>1,248</u>	<u>1,068</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	(1,128)	(868)
<b>NON-CURRENT LIABILITIES</b>			
Provisions	14	(66)	(56)
<b>TOTAL LIABILITIES</b>		<u>(1,194)</u>	<u>(924)</u>
<b>NET ASSETS</b>		<u>54</u>	<u>144</u>
<b>EQUITY</b>			
Called up share capital	15	-	-
Capital contribution		4,079	4,079
Retained earnings		(4,025)	(3,935)
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u>54</u>	<u>144</u>

The financial statements of Lab21 Healthcare Limited, registered number 02957012, were approved by the Board of Directors and authorised for issue on 22 May 2018

Signed on behalf of the Board of Directors



A W Dyer

Director

# LAB21 HEALTHCARE LIMITED

## STATEMENT OF CHANGES IN EQUITY As at 31 December 2017

	Called up share capital £'000	Capital contribution £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 January 2016</b>	-	4,079	(3,928)	151
Loss for the year	-	-	(7)	(7)
<b>Total comprehensive income for the year</b>	-	-	(7)	(7)
<b>Balance at 31 December 2016</b>	-	4,079	(3,935)	144
Loss for the year	-	-	(90)	(90)
<b>Total comprehensive income for the year</b>	-	-	(90)	(90)
<b>Balance at 31 December 2017</b>	-	4,079	(4,025)	54

Called up share capital is £6, see note 15.

# LAB21 HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

### 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

Lab21 Healthcare 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, 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 can be obtained from the address given in note 19.

#### Going concern

The company is financed by Novacyt SA, its parent company (together with its subsidiaries "the Group"). Novacyt SA has confirmed to the directors that it will not request repayment of the intercompany finance for a period of at least 12 months from the date of approval of these financial statements, unless the company is in a position to do so. Based on discussions with Novacyt SA, the directors consider that the Company forms an integral part of Novacyt SA's strategy and business model.

In order to assess the ability of Novacyt SA to continue as a going concern, the directors have obtained a copy of Novacyt SA's cash flow forecast (the "Forecast") for the period to 31 May 2019 (the "Forecast Period"). The Forecast includes a number of material assumptions, including the level of sales and profitability, which are inherently uncertain. The Forecast shows that Novacyt SA will be able to continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements.

The Directors have a reasonable expectation that the parent, and therefore the Company, will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

#### 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
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#### Intangible assets - goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and has an indefinite economic life. Provision is made for any impairment.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2017**

**1. ACCOUNTING POLICIES (continued)**

**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.

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. There are none at present.

**Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all property, plant and equipment assets, 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:

Leasehold improvements	Period of lease
Research and development (R&D) equipment	33% straight line
Computer hardware	33% straight line

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

**Impairment of tangible and intangible assets**

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.

# LAB21 HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

### 1. ACCOUNTING POLICIES (continued)

#### Taxation

Current 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.

#### Revenue

Revenue is stated net of VAT and trade discounts.

#### *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.

#### 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.

# **LAB21 HEALTHCARE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2017**

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

#### **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.

#### **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.

#### **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.

#### **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.

Provision against trade receivables is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

#### **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.

#### **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.

#### **Equity**

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Capital contribution" represents forgiveness of Intercompany debt
- "Retained earnings" represents retained profits or losses.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2017****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), that 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.

**Trade receivables – recoverability**

The nature of the company's business activities is such that it sells to a number of developing countries – it is not unusual for amounts due from customers in such territories to take a number of months to be settled. The company had overdue debtors of £420k outstanding at the balance sheet date, of which £126k remained unpaid as at the date of approval of these financial statements; based on our ongoing discussions and correspondence with the relevant customers, together with other evidence and relevant factors (including past payment history), we do not consider that there are any indications of material impairment to any of the outstanding amounts.

**3. REVENUE**

An analysis by type of revenue is as follows:

	2017 £'000	2016 £'000
<b>Continuing operations</b>		
Sales of goods	2,608	2,254
	2,608	2,254
Other income	24	11
Finance income	-	1
<b>Total revenue</b>	<b>2,632</b>	<b>2,266</b>



# LAB21 HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

### 4. LOSS BEFORE TAX

	2017 £'000	2016 £'000
<b>Loss before tax is after charging (crediting):</b>		
Depreciation of owned property, plant and equipment	20	10
Net loss/(gain) on foreign currency translation	22	(19)
Research and development	17	-
Cost of inventories recognised as an expense	1,229	1,048
Write down of inventories recognised as an expense	-	4
Reversal of write down of inventories recognised in the period	(4)	(5)
Impairment loss recognised on trade debtors	109	-
Operating lease rentals		
Plant and machinery	5	5
Other	39	39

Auditor's remuneration for the audit of the company's annual accounts, amounted to £31,050 (2016 - £22,500). There were no non-audit fees in either the current year or preceding year.

### 5. EMPLOYEE REMUNERATION

	2017 £'000	2016 £'000
<b>The aggregate staff costs were as follows:</b>		
Wages and salaries	587	494
Social security costs	56	49
Other pension costs	33	30
Other benefits	30	-
	<u>706</u>	<u>573</u>

	2017 No.	2016 No.
<b>The average monthly number of employees during the year was as follows:</b>		
Administration	4	-
Production	12	15
Sales and marketing	4	4
	<u>20</u>	<u>19</u>

During the year and the preceding year none of the directors or key management personnel received any emoluments from the company. The 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 (in either the current or prior year) was a member of either a defined contribution or defined benefit pension scheme to which the company contributes. In addition, no director received shares for qualifying services or exercised any share options in either the current or prior year.

# LAB21 HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

### 6. FINANCE COSTS AND FINANCE INCOME

	2017 £'000	2016 £'000
<i>Interest payable and similar charges</i>		
Intercompany interest	(9)	(6)
<i>Investment income</i>		
Intercompany interest	-	1

### 7. TAX ON LOSS

	2017 £'000	2016 £'000
<b>Current taxation</b>		
United Kingdom corporation tax at 19.25% (2016 - 20%)	-	-

#### Factors affecting the tax credit 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:

	2017 £'000	2016 £'000
Loss before taxation	(90)	(7)
Loss at the blended standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(17)	(1)
Effect of:		
Depreciation in excess of capital allowances	3	2
Disallowed expenses and non-taxable income	(5)	(2)
Tax losses utilised	-	(4)
Unrelieved tax losses	27	-
R&D enhanced allowances	(4)	-
Other temporary differences	(4)	5
Total tax charge	-	-

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the statement of financial position date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 17% effective from 1 April 2020. 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.

# LAB21 HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

### 8. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Computer software £'000	Total £'000
<b>Cost or deemed cost</b>			
At 1 January 2017	2,236	28	2,264
Additions	-	2	2
At 31 December 2017	2,236	30	2,266
<b>Amortisation and Impairment</b>			
At 1 January 2017 and 31 December 2017	2,236	28	2,264
<b>Net book value</b>			
At 31 December 2017	-	2	2
At 31 December 2016	-	-	-

### 9. PROPERTY, PLANT AND EQUIPMENT

	Computer hardware £'000	Leasehold improve- ments £'000	R&D equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2017	4	47	49	100
Additions	2	6	8	16
Disposals	-	-	(3)	(3)
At 31 December 2017	6	53	54	113
<b>Accumulated depreciation</b>				
At 1 January 2017	3	14	40	57
Charge for the year	1	14	5	20
At 31 December 2017	4	28	45	77
<b>Net book value</b>				
At 31 December 2017	2	25	9	36
At 31 December 2016	1	33	9	43

### 10. INVENTORIES

	2017 £'000	2016 £'000
Raw materials	184	151
Work in progress	47	65
Finished goods	162	137
	393	353

There is no provision against inventory. The cost of inventories recognised as an expense and included in "cost of sales" amounted to £1,226k (2016 - £1,047k).

# LAB21 HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

### 11. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
<b>Current</b>		
Trade receivables, gross	688	579
Provision for doubtful debts	(8)	(109)
	<u>680</u>	<u>470</u>
Trade receivables	680	470
Amount due from group undertakings	33	-
VAT recoverable	22	22
Other receivables	13	34
Prepayments and accrued income	34	21
	<u>782</u>	<u>547</u>
<b>Non-current</b>		
Other receivables	-	7

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. Certain trade receivables were found to be impaired and a provision for doubtful debts has been recorded as follows:

	2017 £'000	2016 £'000
Provision at 1 January	109	107
Charge in year	8	2
Written off in year	(109)	-
<b>Provision at 31 December</b>	<u>8</u>	<u>109</u>

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:

	2017 £'000	2016 £'000
Not more than 3 months	222	145
More than 3 months but not more than 6 months	110	31
More than 6 months but not more than 1 year	10	35
More than 1 year	78	46
	<u>420</u>	<u>257</u>

# LAB21 HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2017

### 12. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	259	279
Amount due to group undertakings	662	381
Other taxation and social security	70	70
Other payables	6	47
Accruals and deferred income	131	91
	<u>1,128</u>	<u>868</u>

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

As at 31 December 2017 the Company's financial liabilities all have contractual maturities due within 6 months

### 13. DEFERRED TAX ASSETS

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

	2017 £'000	Not provided 2016 £'000
Decelerated capital allowances	(44)	(53)
Other short term timing differences	-	(7)
Tax losses	(919)	(892)
	<u>(963)</u>	<u>(952)</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.

### 14. PROVISIONS

	Dilapidation provision £'000
At 1 January 2017	(56)
Charged to profit and loss account	(10)
At 31 December 2017	<u>(66)</u>

This provision is in respect of reinstatement obligations relating to the leasehold property, current lease to be extended towards the end of 2018.

# LAB21 HEALTHCARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

### 15. CALLED UP SHARE CAPITAL

	2017 £	2016 £
Called up, allotted and fully paid 6 ordinary shares of £1 each	6	6

### 16. OPERATING LEASE ARRANGEMENTS

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

	2017 £'000	Other 2016 £'000
within one year	2	3
between two and five years	-	1
	2	4

The lease expense for the year was £44k (2016 - £44k).

### 17. SUBSEQUENT EVENTS

No significant events have taken place since the reporting date.

### 18. RELATED PARTY TRANSACTIONS

#### Remuneration of key management personnel

The 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.

### 19. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of Lab21 Limited.

The largest and smallest group in which the results of the company are consolidated, for the year ended 31 December 2017, was that headed by Novacyt SA, a company incorporated in France. 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.