Company Registration No. 05382262

LAB 21 LIMITED

Report and Financial Statements

31 December 2017

LAB 21 LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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LAB 21 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

LAB 21 LIMITED

DIRECTORS' REPORT

The directors present their annual report and the 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 proprietary molecular diagnostic testing services for patients needing diagnosis and optimised treatment in areas such as cancer and virology.

RESULTS AND DIVIDENDS

As shown in the company's statement of comprehensive income on page 8, the company's revenue amounted to £723k (2016 - £639k), whilst the company incurred a loss before tax of £775k (2016 - £1,033k) for the year.

As shown in the company's statement of financial position on page 9 net liabilities amounted to £1,152k (2016 - £377k).

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

FUTURE DEVELOPMENTS

The company will continue to provide molecular diagnostic testing services.

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.

LAB 21 LIMITED

DIRECTORS' REPORT

SUBSEQUENT EVENTS

No significant events have taken place since the reporting date.

DIRECTORS

The directors who served during 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.

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 behalf of the Board

A W Dyer
Director
Date: 22 May 2018

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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAB 21 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 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 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 "The 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 LAB 21 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. 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 LAB 21 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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Continuing operations			
REVENUE	3	723	639
Cost of sales		(572)	(471)
GROSS PROFIT		151	168
Administrative expenses			
Exceptional costs	6	(263)	(205)
Other		(608)	(860)
		(871)	(1,065)
Other operating income	3	29	36
OPERATING LOSS	4	(691)	(861)
Finance costs	5	(84)	(172)
LOSS BEFORE TAX		(775)	(1,033)
Tax on loss	9	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE COMPANY		(775)	(1,033)

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

LAB 21 LIMITED

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	2017 £'000	2016 £'000
NON-CURRENT ASSETS			
Other intangible assets	10	1	3
Property, plant and equipment	11	16	35
Investments	12	3,402	3,402
Other receivables		11	12
		3,430	3,452
CURRENT ASSETS			
Inventory	13	26	21
Trade and other receivables	14	1,439	446
Tax receivable		6	6
Cash at bank and in hand		186	37
		1,657	510
TOTAL ASSETS		5,087	3,962
CURRENT LIABILITIES			
Trade and other payables	15	(6,234)	(4,334)
NON-CURRENT LIABILITIES			
Provisions	16	(5)	(5)
TOTAL LIABILITIES		(6,239)	(4,339)
NET LIABILITIES		(1,152)	(377)
EQUITY			
Called up share capital	17	28	28
Share premium account		40,087	40,087
Merger reserve		1,057	1,057
Capital reserves		101	101
Retained earnings		(42,425)	(41,650)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		(1,152)	(377)

The financial statements of Lab 21 Limited, registered number 05382262, were approved by the Board of Directors and authorised for issue on 22 May 2018

Signed on behalf of the Board of Directors

A Dyer

A W Dyer

Director

STATEMENTS OF CHANGES IN EQUITY
As at 31 December 2017

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Capital reserves £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2016	28	40,087	1,057	101	(40,617)	656
Loss for the financial year	-	-	-	-	(1,033)	(1,033)
Total comprehensive income for the financial year	-	-	-	-	(1,033)	(1,033)
Balance at 31 December 2016	28	40,087	1,057	101	(41,650)	(377)
Loss for the financial year	-	-	-	-	(775)	(775)
Total comprehensive income for the financial year	-	-	-	-	(775)	(775)
Balance at 31 December 2017	28	40,087	1,057	101	(42,425)	(1,152)

NOTES TO THE FINANCIAL STATEMENTS
For the 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

Lab 21 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.

These financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Novacyt SA. The group accounts of Novacyt SA can be obtained from the address given in note 21.

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.

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.

1. **ACCOUNTING POLICIES (continued)**

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 estimated useful economic life of intellectual property is between 7 and 20 years and software is 3 years.

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 a straight line basis, over an estimated useful economic life of 3 years.

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

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

Depreciation is provided on all property, plant and equipment 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:

Fixtures and fittings	33%
Computer equipment	33%
Laboratory equipment	20%

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

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

1. **ACCOUNTING POLICIES (continued)**

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.

Investments

Fixed asset investments, including investments in subsidiaries and associates, are shown at cost less provision for impairment.

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.

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.

<u>Current tax and deferred tax for the year</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1. **ACCOUNTING POLICIES (continued)**

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.

Revenue

Revenue, which excludes value added tax, represents income generated from the provision of contracted research and testing services to customers in the pharmaceutical, biotechnology and healthcare industries.

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.

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.

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.

1. **ACCOUNTING POLICIES (continued)**

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to statement of comprehensive incomet over the expected useful lives of the assets concerned. Other grants are credited to the statement of comprehensive income as the related expenditure is incurred.

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

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments. 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, except for derivatives, 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. Derivatives designated at Fair Value Through Profit and Loss (FVTPL), are carried at fair value with gains or losses recognised in profit or 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;
- "Share premium" represents the consideration over the nominal value received on issue of shares, net of expenses;
- "Merger reserves" represents the consideration given in excess of the nominal value of shares issued for the acquisition of Biotec Laboratories made by the issue of shares;
- "Capital reserves" includes the consideration received on issue of warrant options and the Capital redemption reserve being the nominal value of shares cancelled by the company; and
- "Retained earnings" represents retained profits/losses.

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.

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

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made 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.

Impairment of investments in subsidiaries

The Company conducts impairment reviews of investments in subsidiaries whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. After reviewing the Subsidiaries' performance for the year and estimated future year's performance management concluded that there were no indicators of impairment. However, in the event that the future financial performance of subsidiaries falls below current expectations, an impairment may need to be recognised.

Key sources of estimation uncertainty

The directors do not consider that there are any 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 the assets and liabilities within the next financial year.

3. REVENUE

An analysis by type of revenue is as follows:

	2017 £'000	2016 £'000
Continuing operations		
Provision of services	723	639
	723	639
Other operating income	29	36
Total revenue	752	675

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

4. OPERATING LOSS

	2017 £'000	2016 £'000
Operating loss is after charging:		
Amortisation of other intangible fixed assets	2	3
Depreciation of tangible fixed assets	23	29
Operating lease rentals	85	90
Research & development costs	34	23
Exceptional costs	263	205
Foreign exchange losses	154	458

Auditor's remuneration for the audit of the company's annual accounts, amounted to £60k (2016 - £45k). There were no non-audit fees in either the current year or preceding year.

5. FINANCE COSTS

	2017 £'000	2016 £'000
Interest on intercompany loan	84	82
Other interest	-	90
	84	172

6. EXCEPTIONAL COSTS

	2017 £'000	2016 £'000
IPO/AIM listing	37	-
Management financing bonus	80	-
Management acquisition bonus	114	170
Other	32	35
	263	205

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

7. EMPLOYEE REMUNERATION

	2017 No.	2016 No.
The average monthly number of persons employed by the company, including directors, during the year was as follows:		
Production	9	9
Administration	9	8
Sales and marketing	-	2
	18	19

	£'000	£'000
The aggregate staff costs were as follows:		
Wages and salaries	1,195	1,284
Social security costs	138	142
Pension costs	42	36
Other benefits	32	61
	1,407	1,523

8. DIRECTORS' REMUNERATION

	2017 £'000	2016 £'000
Emoluments	767	511
Company contributions to money purchase schemes	18	16
	785	527

	No	No
Number of directors accruing retirement benefits under the money purchase pension scheme	2	2
Number of directors who receive shares for qualifying services	-	-

The highest paid director received total emoluments of £481k (2016 - £329k) and £10k (2016 - £10k) were made to that director's money purchase pension scheme in the current year.

9. TAX ON LOSS

Tax charge for the year

	2017 £'000	2016 £'000
Current taxation		
Tax charge on loss	-	-
	-	-

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:

	2017 £'000	2016 £'000
Loss before taxation	(775)	(1,033)
Loss at the blended standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(149)	(207)
Effect of:		
Depreciation in excess of capital allowances	5	6
Expenditure not deductible for tax purposes	1	10
R&D enhanced allowances	(9)	-
Group relief	152	94
Unrelieved tax losses	-	97
Total tax charge for year	-	-

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 these assets and liabilities are expected to unwind.

Deferred taxation assets unprovided are as follows:

	2017 £'000	2016 £'000
Decelerated capital allowances	(172)	(172)
Tax losses	(3,684)	(3,723)
	(3,856)	(3,895)

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

10. INTANGIBLE ASSETS

	Software £'000	Intellectual property £'000	Total £'000
Cost			
At 1 January 2017 and 31 December 2017	9	30	39
Amortisation			
At 1 January 2017	9	27	36
Charge for the year	-	2	2
At 31 December 2017	9	29	38
Net book value			
At 31 December 2017	-	1	1
At 31 December 2016	-	3	3

11. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £'000	Fixtures and fittings £'000	Laboratory equipment £'000	Total £'000
Cost				
At 1 January 2017	109	28	122	259
Additions	4	-	-	4
At 31 December 2017	113	28	122	263
Accumulated depreciation				
At 1 January 2017	95	22	107	224
Charge for the year	10	5	8	23
At 31 December 2017	105	27	115	247
Carrying amount				
At 31 December 2017	8	1	7	16
At 31 December 2016	14	6	15	35

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

12. INVESTMENTS

	Subsidiary undertakings £'000
Cost	
At 1 January 2017 and 31 December 2017	9,396
Impairment	
At 1 January 2017 and 31 December 2017	5,994
Net book value	
At 31 December 2017	3,402
At 31 December 2016	3,402

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Country of incorporation	Holding	Proportion of voting rights and shareholding	Nature of business
Subsidiary undertakings				
Lab 21 Healthcare Limited	England and Wales	Ordinary shares	100%	Provision of diagnostic products
Biotec Laboratories Limited	England and Wales	Ordinary shares	100%	No longer trading
Microgen Bioproducts Limited	England and Wales	Ordinary shares	100%	Provision of diagnostic products
Selah Technologies Limited	England and Wales	Ordinary shares	100%	Holding Intellectual property

The registered address for all investments is Park House, Winship Road, Milton, Cambridge, CB24 6BQ.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

13. INVENTORY

	2017 £'000	2016 £'000
Raw materials	26	21

There is no provision against inventory. The cost of inventories recognised as an expense and included in "cost of sales" amounted to £315k (2016 - £214k).

14. TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
Current:		
Trade receivables, gross	205	116
Provision for doubtful debts	(6)	(10)
Trade receivables	199	106
Amounts due from subsidiary undertakings	1,162	251
Other receivables	2	-
Prepayments and accrued income	76	89
	1,439	446

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	10	20
Written off	(4)	-
Recovered	(1)	(12)
Charged	1	2
Provision at 31 December	6	10

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	105	52
More than 3 months but not more than 6 months	6	3
More than 6 months but not more than 1 year	2	-
	113	55

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

15. TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
Trade payables	161	152
Amounts owed to group undertakings	5,711	4,013
Other payables	2	15
Accruals and deferred income	360	154
	6,234	4,334

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.

16. PROVISIONS

	Dilapidation provision £'000
At 1 January 2016	5
Additional provision	-
Amount utilised	-
At 31 December 2016	5
Additional provisions	-
Amount utilised	-
At 31 December 2017	5

The dilapidation provision represents management's best estimate of the company's liability under its operating lease for its premises. The related cash outflows are expected to be incurred in 2019.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

17. CALLED UP SHARE CAPITAL

	2017 £'000	2014 £'000
Called up, allotted and fully paid		
2,727,444 'A' ordinary shares of £0.01 each	27	27
51,500 ordinary shares of £0.01 each	1	1
	28	28

The 'A' Ordinary shares and the Ordinary shares rank pari passu in all respects except:

Rights on a liquidation

On a return of assets on a liquidation, the assets of the company remaining after payment of its debts and liabilities and available for distribution shall be applied in the following order of priority:

- Firstly, in paying to the holders of the 'A' Ordinary shares, pari passu an amount equal to twice the issue price of the shares held.
- Thereafter, in distributing the balance of such assets amongst the holders of the 'A' Ordinary shares and the Ordinary shares pro rata to the number of shares held.

Rights on a sale

On a sale the total consideration received in respect of the equity shares shall be allocated and distributed in the following order of priority:

- Firstly, in paying to the holders of the 'A' Ordinary shares, pari passu, an amount equal to twice the issue price of the shares held.
- Thereafter, in distributing the balance of such assets amongst the holders of the 'A' Ordinary shares and the Ordinary shares pro rata to the number of shares held.

Voting rights

Except as expressly provided in the articles, all the shares carry equal voting rights.

Warrants

The Company has issued share warrants, generally in connection with the issue of debt or equity. Warrants are generally issued at a fixed price and for a fixed number of shares, such that each warrant entitles the holder to subscribe for one £0.01 'A' Ordinary Share in the company. However, certain warrants entitle the holder to subscribe for a variable number of shares and at a price which is determined by reference to, inter alia, the share price on the date of exercise.

Certain of the share warrants have vesting conditions, whilst others vest immediately on issue.

Details of the share warrants outstanding during the year are as follows:

	2017 No.	2017 * WAEP £
Outstanding at beginning of year	16,000	0.01
Expired during the year	(16,000)	0.01
Outstanding at end of year	-	-
Exercisable at end of year	-	-

* WAEP denotes Weighted Average Exercise Price.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

17. CALLED UP SHARE CAPITAL (continued)

Warrants (continued)

Share warrants are classified as either debt or equity, in accordance with the requirements of IAS 32 'Financial instruments: Disclosure and presentation'. Details of the classification of warrants at the end of the year are as follows:

	2017 No.	2016 No.
Classified as equity	-	16,000

The fair value of warrants is measured by use of the Black-Scholes option pricing model. No share based payment expense was recognised in 2017 (2016 - £nil)

18. OPERATING LEASE ARRANGEMENTS

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

	Land and buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
within one year	93	103	1	2
between two and five years	16	108	-	-
	109	211	1	2

The lease expense for the year was £85k (2016 - £90k)

19. SUBSEQUENT EVENTS

No significant events have taken place since the reporting date.

20. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

	2017 £'000	2016 £'000
Short-term employee benefits	1,006	695
Other long-term benefits	24	21
	1,030	716

21. ULTIMATE PARENT AND CONTROLLING PARTY

The company is a subsidiary undertaking of Novacyt SA, a company incorporated in France.

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. 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.