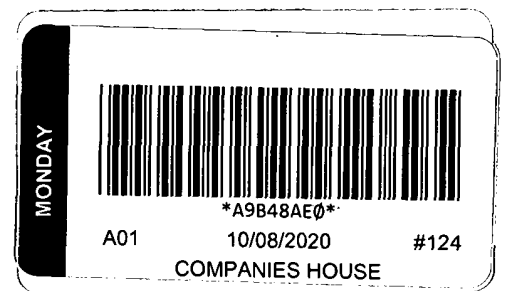


Company Registration No. 05228545

PRIMER DESIGN LIMITED

Annual Report and Financial Statements

31 December 2019



PRIMER DESIGN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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PRIMER DESIGN LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G D Mullis
A W Dyer

REGISTERED OFFICE

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

AUDITOR

Constantin
Statutory Auditor
25 Hosier Lane
London
EC1A 9LQ
United Kingdom

PRIMER DESIGN LIMITED

DIRECTORS' REPORT

The directors present their annual report and the financial statements for year ended 31 December 2019.

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. All applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

PRINCIPAL ACTIVITY

The principal activity of the company is focused on the design, manufacture, validation and supply of real-time PCR kits and reagents.

RESULTS AND DIVIDENDS

As shown in the company's statement of comprehensive income on page 9, the company's revenue amounted to £5,531k (2018 - £5,501k), whilst the company generated a profit before tax of £1,227k (2018 - £1,442k loss) for the year.

As shown in the company's statement of financial position on page 10, net assets amounted to £3,479k (2018 - £2,244k).

The directors do not recommend payment of a dividend (2018 - £nil).

FUTURE DEVELOPMENTS

The company will continue to grow the design, manufacture, validation and supply of real-time PCR kits and reagents.

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.

PRIMER DESIGN LIMITED

DIRECTORS' REPORT

GOING CONCERN

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

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

The going concern model covers the period up to and including May 2021. In making this assessment the Directors have considered the following elements:

- the working capital requirements of the business;
- a positive cash balance at 31 December 2019 of €1,805,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules;
- the financing cash inflow relating to the exercise of warrants in Q1 2020;
- a payment of the first tranche of the LTIP that commenced in November 2017;
- increased operating cash inflow generated by the Covid-19 pandemic;

The forecast prepared by the Group shows that it is able to cover its cash needs during the financial year 2020 and until May 2021 without the raising of any further bank or other financing facility.

SUBSEQUENT EVENTS

During January and February 2020 Novacyt SA's share price increased to over €2 per share, a key contributing factor being the launch of a Covid-19 diagnostic test kit by Primerdesign. This share price increase resulted in all remaining warrant holders exercising their warrants which gave rise to a net cash inflow of €2,400,000 into the business and the warrant overhang has now been removed completely.

DIRECTORS

The directors who served during the year and to the date of this report, unless otherwise stated, 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.

PRIMER DESIGN LIMITED

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 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.

Constantin were appointed as auditor in the period and have expressed their willingness to continue in office as auditor. 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: 26th May 2020

PRIMER DESIGN LIMITED

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIMER DESIGN LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Primer Design Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit 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 20.

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.

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 the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIMER DESIGN 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. 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
PRIMER DESIGN LIMITED (continued)**

Matters on which we are required to report by exception

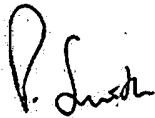
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 or 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.



Peter Smith (Senior Statutory Auditor)
For and on behalf of Constantin
Statutory Auditor
25 Hosier Lane, London, EC1A 9LQ, United Kingdom
Date: 26 May 2020

PRIMER DESIGN LIMITED

STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Continuing operations			
REVENUE	3	5,531	5,501
Cost of sales		<u>(808)</u>	<u>(855)</u>
GROSS PROFIT		4,723	4,646
Distribution costs		(78)	(76)
Exceptional income/(costs)	5	266	(2,973)
Administrative expenses		<u>(3,666)</u>	<u>(3,067)</u>
		<u>(3,478)</u>	<u>(6,116)</u>
OPERATING PROFIT / (LOSS)	4	1,245	(1,470)
Finance cost	6	(71)	(3)
Finance income	6	<u>53</u>	<u>31</u>
PROFIT/(LOSS) BEFORE TAX		1,227	(1,442)
Tax on profit/(loss)	9	<u>8</u>	<u>(28)</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO THE COMPANY		<u><u>1,235</u></u>	<u><u>(1,470)</u></u>

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

PRIMER DESIGN LIMITED

STATEMENT OF FINANCIAL POSITION As at 31 December 2019

	Note	2019 £'000	2018 £'000
NON-CURRENT ASSETS			
Intangible assets	10	217	228
Property, plant and equipment	11	994	399
		<u>1,211</u>	<u>627</u>
CURRENT ASSETS			
Inventory	12	642	644
Trade and other receivables	13	2,883	1,124
Cash at bank and in hand		644	480
		<u>4,169</u>	<u>2,248</u>
TOTAL ASSETS		<u>5,380</u>	<u>2,875</u>
CURRENT LIABILITIES			
Trade and other payables	14	(1,127)	(582)
Obligations under operating leases	15	(123)	-
		<u>(1,250)</u>	<u>(582)</u>
NON-CURRENT LIABILITIES			
Obligations under operating leases	15	(610)	-
Deferred tax liabilities	16	(41)	(49)
		<u>(1,901)</u>	<u>(631)</u>
TOTAL LIABILITIES		<u>(1,901)</u>	<u>(631)</u>
NET ASSETS		<u>3,479</u>	<u>2,244</u>
EQUITY			
Called up share capital	17	1	1
Share premium account		42	42
Retained earnings		3,436	2,201
		<u>3,479</u>	<u>2,244</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>3,479</u>	<u>2,244</u>

The financial statements of Primer Design Limited, registered number 05228545, were approved by the Board of Directors and authorised for issue on 26th May 2020.

Signed on behalf of the Board of Directors



A W Dyer

Director

PRIMER DESIGN LIMITED

STATEMENT OF CHANGES IN EQUITY As at 31 December 2019

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2018	1	42	3,671	3,714
Loss for the financial year	-	-	(1,470)	(1,470)
Total comprehensive income for the financial year	-	-	(1,470)	(1,470)
Balance at 31 December 2018	1	42	2,201	2,244
Profit for the financial year	-	-	1,235	1,235
Total comprehensive income for the financial year	-	-	1,235	1,235
Balance at 31 December 2019	1	42	3,436	3,501

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

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

Primer Design 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 are available to the public and can be obtained as set out in note 20.

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

Impact of application of IFRS 16 Leases

IFRS 16 Leases was issued in January 2016 and is effective for an entity's financial statements for annual reporting periods beginning on or after January 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short-term leases and leases of low value assets.

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

IFRS 16's transition provisions permit lessees to use either a full retrospective or a modified retrospective approach for leases existing at the date of initial application of the standard, with options to use certain transition reliefs.

The company has elected to apply the standard using the modified retrospective approach from 1 January 2019, utilising certain of the practical expedients provided within the Standard, and the cumulative effect of initial application will be recognised in retained earnings at 1 January 2019. Comparative figures for the year ended December 31, 2018 are not restated to reflect the adoption of IFRS 16 but instead continue to reflect the lessee's accounting policies under IAS 17 Leases.

1. ACCOUNTING POLICIES (continued)

Impact of application of IFRS 16 Leases (continued)

The company has elected to apply for the following practical expedients allowed for entities adopting IFRS 16 using the modified retrospective approach:

- Discount rate - instead of requiring a lessee to determine the incremental borrowing rate for every single lease, IFRS 16 allows a lessee to apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- Initial direct costs - as a practical expedient, IFRS 16 allows a lessee to exclude initial direct costs from the measurement of the ROU asset on transition.
- Use of hindsight for lease term - a lessee is required to determine the lease term at the date of initial application, which includes purchase and renewal options reasonably expected to be exercised and excludes termination options reasonably expected to be exercised. To alleviate the burden of reconstructing a lessee's initial assessment of the lease term and subsequent changes thereafter, IFRS 16 allows a lessee to use hindsight to determine which renewal and termination options to include or exclude.
- Onerous lease determination - similar to other non-financial assets, ROU assets are subject to impairment testing under IAS 36 Impairment of Assets and a lessee is required to perform an impairment review for each of its ROU assets at date of initial application. IFRS 16 allows a lessee to use its onerous contract assessment under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before transition instead of performing an impairment review under IAS 36. The ROU asset is then reduced by any existing provision for related onerous leases – there were no onerous contracts within the company at 1 January 2019.
- Short-term leases - for leases with a remaining term of less than one year at the date of initial application, the lessee may choose to apply the short-term lease exemption in IFRS 16 and expense lease payments rather than recognize an ROU asset and a lease liability. When using the short-term lease exemption, a lessee is required to disclose the amount of lease payments expensed as a result of using this expedient.

On application of IFRS 16, the company recognised £239k right-of-use assets and £239k lease liabilities.

When measuring lease liabilities, the company discounted the lease payments using the group's borrowing rate at 1 January 2019. The rate applied is 7.5%.

Going concern

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

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

The going concern model covers the period up to and including May 2021. In making this assessment the Directors have considered the following elements:

- the working capital requirements of the business;
- a positive cash balance at 31 December 2019 of £1,805,000;
- the repayment of the current bond borrowings according to the agreed repayment schedules;
- the financing cash inflow relating to the exercise of warrants in Q1 2020;
- a payment of the first tranche of the LTIP that commenced in November 2017;
- increased operating cash inflow generated by the Covid-19 pandemic;

The forecast prepared by the Group shows that it is able to cover its cash needs during the financial year 2020 and until May 2021 without the raising of any further bank or other financing facility.

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

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 provision of design, validation and supply of PCR kits and reagents.

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 real-time PCR consultancy

The company provides real-time PCR consultancy 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 operating profit in the historical financial information.

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.

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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. Deferred tax is charged or credited in the statement of comprehensive income.

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.

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.

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

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 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 or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold improvements and Right-of-Use assets	Period of lease
Laboratory equipment	20%
Computer equipment	33%
Office equipment	33%

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. No provision is made for obsolete, slow-moving or defective inventory as every item that is not in a condition to sell or to use is written off.

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.

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

1. ACCOUNTING POLICIES (continued)

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
- "Capital redemption reserve" represents the nominal value of shares bought back by the company
- "Retained earnings" represents retained profits or losses.

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.

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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.

Capitalisation of development costs

As described in note 1, development costs are capitalised and subsequently amortised when they meet the various recognition criteria, in accordance with IAS 38 'Intangible assets'. In doing this, the directors are required to assess whether the related intangible assets will generate probable future economic benefits, which requires certain assumptions and judgements to be made. The amount of capitalised development costs is set out in note 10.

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 £253k (2018 - £712k) outstanding at the balance sheet date, of which £11k (2018 - £381k) 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

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.

	2019	2018
	£'000	£'000
Revenue:		
Geographical market Africa	312	252
Geographical market Europe	2,346	2,487
Geographical market Asia-Pacific	714	1,134
Geographical market America	1,696	1,396
Geographical market Middle East	463	232
	<u>5,531</u>	<u>5,501</u>

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

4. OPERATING PROFIT / (LOSS)

	2019 £'000	2018 £'000
Operating profit / (loss) is after (charging) crediting:		
Amortisation of intangible fixed assets	(66)	(39)
Depreciation of tangible fixed assets	(246)	(118)
Net (loss)/gain on foreign currency translation	(67)	39
Research and development costs	(362)	(209)
Cost of inventories recognised as an expense	(497)	(505)

Auditor's remuneration for the audit of the company's annual accounts, amounted to £40k (2018 - £23k). There were no non-audit fees in either the current year or preceding year.

5. EXCEPTIONAL INCOME/(COSTS)

	2019 £'000	2018 £'000
Deed waiver following sale of group subsidiary	(1,011)	-
Redundancy	(43)	(85)
Provision write-back intercompany loans	1,331	(2,887)
Other	(11)	(1)
	<u>266</u>	<u>(2,973)</u>

The deed waiver related to an intercompany balance with a subsidiary of the group that was sold during 2019.

6. FINANCE COSTS AND FINANCE INCOME

	2019 £'000	2018 £'000
<i>Interest payable and similar charges</i>		
Interest on intercompany loan	(5)	(3)
Operating lease interest	(66)	-
	<u>(71)</u>	<u>(3)</u>
 <i>Investment income</i>		
Interest on intercompany loan	<u>53</u>	<u>31</u>

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

7. EMPLOYEE REMUNERATION

	2019 No	2018 No
The average monthly number of persons employed by the company, including directors, during the year was as follows:		
Production	12	9
Research and development	13	8
Administration	8	13
Sales and marketing	16	16
	<u>49</u>	<u>46</u>
	£'000	£'000
The aggregate staff costs were as follows:		
Wages and salaries	1,717	1,567
Social security costs	175	173
Pension costs	58	53
Other benefits	14	7
	<u>1,964</u>	<u>1,800</u>

8. DIRECTORS' REMUNERATION

	2019 £'000	2018 £'000
Emoluments	-	3
Company contributions to money purchase schemes	-	-
	<u>-</u>	<u>3</u>
	No	No
Number of directors accruing retirement benefits under the money purchase pension scheme	<u>-</u>	<u>-</u>

The highest paid director received total emoluments of £nil (2018 - £3k) and £nil (2018- £nil) were made to that director's money purchase pension scheme in the current year.

During the year most of the directors or key management personnel did not receive any emoluments from the company. They 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.

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

9. TAX ON PROFIT / (LOSS)

Tax (credit)/charge for the year

	2019 £'000	2018 £'000
Current taxation		
Adjustments to tax charge in respect of previous years	-	15
Deferred tax		
Origination and reversal of temporary differences	(8)	13
	<u>(8)</u>	<u>28</u>

Factors affecting the tax charge/(credit) for the year

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

	2019 £'000	2018 £'000
Profit/(Loss) before taxation	<u>1,227</u>	<u>(1,442)</u>
Profit/(Loss) at the blended standard rate of corporation tax in the UK of 19% (2018: 19%)	233	(274)
Effect of:		
Depreciation in excess of capital allowances	9	(15)
Expenditure not deductible	(61)	549
R&D tax credit	(89)	(53)
Adjustments to tax charge in respect of previous years	-	15
Group relief	(92)	(207)
Total tax charge for year	<u>-</u>	<u>15</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 these assets and liabilities are expected to unwind.

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

10. INTANGIBLE ASSETS

	Software £'000	Intellectual property £'000	Total £'000
Cost			
At 1 January 2019	86	245	331
Additions	9	46	55
At 31 December 2019	95	291	386
Amortisation			
At 1 January 2019	37	66	103
Charge for the year	27	39	66
At 31 December 2019	64	105	169
Net book value			
At 31 December 2019	31	186	217
At 31 December 2018	49	179	228

11. PROPERTY, PLANT AND EQUIPMENT

	Right-of- Use assets £'000	Leasehold improve- ments £'000	Laboratory equipment £'000	Computer and office equipment £'000	Total £'000
Cost					
At 1 January 2019	-	206	572	123	901
Additions	694	17	125	8	844
Transfers	82	-	(93)	-	(11)
Disposal	-	(1)	(6)	-	(7)
At 31 December 2019	776	222	598	131	1,727
Depreciation					
At 1 January 2019	-	55	351	96	502
Charge for the year	116	25	86	19	246
Transfers	-	-	(11)	-	(11)
Disposal	-	-	(4)	-	(4)
At 31 December 2019	116	80	422	115	733
Net book value					
At 31 December 2019	660	142	176	16	994
At 31 December 2018	-	151	221	27	399

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

12. INVENTORY

	2019 £'000	2018 £'000
Raw materials	416	404
Work in progress	159	199
Finished goods	67	41
	<u>642</u>	<u>644</u>

There is no provision against inventory. The cost of inventories recognised as an expense and included in "cost of sales" amounted to £497k (2018 - £505k).

13. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Current:		
Trade receivables, gross	979	1,039
Provision for doubtful debts	(366)	-
	<u>613</u>	<u>1,039</u>
Trade receivables	613	1,039
Amounts due from group undertakings	2,125	3
VAT recoverable	4	-
Prepayments and accrued income	141	82
	<u>2,883</u>	<u>1,124</u>

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 provisions for doubtful debts have been recorded as follows.

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.

	2019 £'000	2018 £'000
Provision at 1 January	-	2
Charge in year	366	-
Written off in year	-	(1)
Recovered in year	-	(1)
	<u>366</u>	<u>-</u>
Provision at 31 December	<u>366</u>	<u>-</u>

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

13. TRADE AND OTHER RECEIVABLES (continued)

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:

	2019 £'000	2018 £'000
Not more than 3 months	251	264
More than 3 months but not more than 6 months	1	10
More than 1 year	1	438
	<u>253</u>	<u>712</u>

14. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Trade payables	278	185
Amounts due to group undertakings	212	119
Taxation and social security	46	40
Bank loans and overdrafts	478	-
Other loans	27	-
Other payables	16	58
Accruals and deferred income	70	180
	<u>1,127</u>	<u>582</u>

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

As at 31 December 2019 the Company's financial liabilities all have contractual maturities due within 6 months.

The company entered into a Confidential Invoice Discounting facility in November 2019.

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.

15. OBLIGATION UNDER OPERATING LEASES

	2019 £'000
Non-current	112
Current	<u>620</u>
	<u>732</u>

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

15. OBLIGATION UNDER OPERATING LEASES (continued)

Maturity analysis	Buildings £'000	Equipment £'000
Within one year	90	32
Between two and five years	437	53
After five years	120	-
	<u>647</u>	<u>85</u>

16. DEFERRED TAX LIABILITIES

	2019 £'000	2018 £'000
Movement in the year		
At 1 January	49	36
(Credit)/Charge to statement of comprehensive income	(8)	13
At 31 December	<u>41</u>	<u>49</u>

The amounts of deferred tax provided are as follows:

	2019 £'000	2018 £'000
Accelerated capital allowances	<u>41</u>	<u>49</u>

17. CALLED UP SHARE CAPITAL

	2019 £	2018 £
Called up, authorised, allotted and fully paid		
105,600 ordinary 'A' shares of £0.01 each	1,056	1,056
16,040 ordinary 'B' shares of £0.01 each	160	160
	<u>1,216</u>	<u>1,216</u>

18. RELATED PARTY DISCLOSURES

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.

PRIMER DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

19. SUBSEQUENT EVENTS

During January and February 2020 Novacyt SA's share price increased to over €2 per share, a key contributing factor being the launch of a Covid-19 diagnostic test kit by Primerdesign. This share price increase resulted in all remaining warrant holders exercising their warrants which gave rise to a net cash inflow of €2,400,000 into the business and the warrant overhang has now been removed completely.

20. 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 2019, 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.