13 April 2021

SourceBio International plc
("SourceBio", the "Company" or the "Group")

Final Results

SourceBio International plc (AIM: SBI), a leading international provider of integrated state-of-the-art laboratory services and products, announces its final results for the year ended 31 December 2020.

Corporate highlights

- Company's successful Admission to AIM completed in October 2020

Financial highlights

- Revenue increased by 139% to £50.7 million (2019: £21.2 million)
- Gross profit increased by 135% to £20.5 million (2019: £8.7 million)
- Adjusted EBITDA[1] increased by 369% to £14.2 million (2019: £3.0 million)
- Adjusted EPS[2] increased nearly twelve-fold on a like-for-like basis to 19.8 pence per share (2019: 1.7 pence per share)
- Cash generated from operations increased by 120% to £6.4 million (2019: £2.9 million)
- Cash balance of £8.4 million (2019: £1.2 million) with bank and shareholder borrowings eliminated (2019: £95.9 million)

[1] Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation (EBITDA) adjusted for exceptional items (see note 6)

[2] Adjusted EPS is earnings per share ("EPS") adjusted for shareholder loan and PIK loan note interest payable, exceptional items and the tax effects of these items (see note 9)

Operational highlights

2020

- In May 2020, SourceBio established a new business unit, Infectious Disease Testing, with the launch of COVID-19 Antigen RT-PCR testing services, through high volume laboratory based testing
- SourceBio progressively expanded its laboratory capacity at its facility in Nottingham to 10,500 tests per day by the year-end date
- In November 2020, the Group announced that it had been accepted into the Increasing Capacity Framework Agreement for cancer test services to NHS England, an initiative to reduce the significant backlog of procedures built up during 2020
- In December 2020, SourceBio signed a strategic partnership agreement with Oxford Nanopore to offer a new generation of rapid COVID-19 test, LamPORE, for use in both traditional laboratory and more localised settings

Post period end

- In January 2021, the Group signed a supply agreement with a leading UK high street retail and pharmacy group, to provide COVID-19 testing services to support roll-out in their stores
- In February 2021, the Group signed an agreement with Mitie Security Limited to manage the delivery of community based COVID-19 testing services through Department of Health and Social Care ("DHSC") mobile testing trailers

- In March 2021, the Group announced its laboratory expansion in San Diego, USA, to include COVID-19 PCR testing services

- In March 2021, the Group announced it had entered into an agreement with the Rugby Football Union and Premiership Rugby Limited to provide COVID-19 screening testing services for elite rugby in England

- Trading in the early months of 2021 has been solid. It is expected that the Group's COVID-19 testing focus in 2021 will transition from exclusively RT-PCR testing to a wide portfolio of offerings

Jay LeCoque, Executive Chairman, commented: *"I am very pleased to report to shareholders significant revenue growth and dramatically increased underlying profitability in an extremely busy year for SourceBio, that included a successful AIM listing in October. The results have been dominated by the provision of COVID-19 testing services and, accepting the ongoing impact of the COVID-19 pandemic, the Board remains pleased with performance across all areas of the business. The Group remains strongly capitalised with no borrowings, which positions us well to deliver further aggressive growth in 2021. In particular for 2021, we see Infectious Disease Testing revenues coming from a number of technologies, platforms and locations, fixed and mobile. The Board is appreciative of the strong support from both long standing and new shareholders and we look forward to providing further updates in due course."*

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About SourceBio International plc www.sourcebiointernational.com

SourceBio is a leading international provider of integrated state-of-the-art laboratory services and products with clients in the healthcare, clinical, life science research and biopharma industries, with a focus on improving patient diagnosis, management and care. Group revenues are derived from four core businesses areas:

- **Infectious Disease Testing** - a range of COVID-19 testing services for commercial enterprises, private healthcare groups, NHS and the DHSC. Utilising multiple technologies (PCR, LamPORE, LAMP, Lateral Flow, Quantitative Antibody tests and whole genome sequencing for positive results), SourceBio offers both screening and gold standard COVID-19 testing and operates under ISO 15189 accreditation required by the DHSC. SourceBio also provides employee testing solutions to industry, direct to consumer home test kits (including 'Fit to Fly', 'Test to Release' and '2 & 8 Day International Travel' approved tests) whilst also being the lead operator on mobile testing unit services to support outbreak testing for the DHSC, event and venue testing.
- **Healthcare Diagnostics** - histopathology and clinical diagnostic services for the NHS and private healthcare across the UK and Ireland.
- **Genomics** - DNA sequencing services for pharmaceutical and biotechnology companies, academia, contract research organisations (CROs) and other research groups in the UK, Europe and North America.

- **Stability Storage** - shelf-life testing services and equipment for pharmaceutical and biotechnology companies, contract manufacturers and analytical testing companies from around the world but primarily in the UK, Ireland and the USA.

More details on Group operations can be found here: www.sourcebioscience.com
SourceBio International plc (SBI) is listed on the AIM market of the London Stock Exchange.

Executive Chairman's Review

Summary of 2020

I am pleased to report a year of significant growth and achievement in the business, indeed a transformational year which also included the Company's Admission to AIM in October 2020.

It is with pleasure that I welcome new shareholders and sincerely thank existing shareholders for their continued strong support. I am encouraged to report that the Group has delivered substantial progress and has reported strong financial results for 2020. It continues to perform well, with excellent growth in revenues, earnings and cash generation.

The key performance indicators currently used by the Group are revenue, gross profit, adjusted EBITDA and cash resources. In this regard, revenues for the year increased to £50.7 million, an increase of 139% on the prior year revenues of £21.2 million, gross profit has increased to £20.5 million, an increase of 135% on the prior year gross profit of £8.7 million, and adjusted EBITDA has increased to £14.2 million, a level almost five-fold that of the prior year adjusted EBITDA of £3.0 million. Cash balances at the year-end date totalled £8.4 million with no bank and shareholder borrowings, compared to cash of £1.2 million and bank and shareholder borrowings of £95.9 million at the prior year-end date. Further details of the financial performance can be found in the Chief Financial Officer's Review and within the financial statements.

The arrival and sustained impact of the COVID-19 pandemic has clearly provided ongoing challenges across the globe. SourceBio was early to see significant opportunities to help mitigate these challenges and indeed has been able to more than make up for any adverse impacts to the Group's long standing business units by introducing large scale laboratory based COVID-19 testing services from its Nottingham facility. A more detailed review of the year, by business unit, is presented below.

The Board is very grateful for the significant hard work and dedication of the entire SourceBio team in 2020 and for the many achievements in what has certainly been a uniquely challenging backdrop.

Business review

The business comprises four business units – Healthcare Diagnostics, Genomics, Stability Storage and a fourth business unit, Infectious Disease Testing, which was created in May 2020 as the Group launched its COVID-19 testing service. Starting with Infectious Disease Testing, a brief review of each business unit is detailed below.

Infectious Disease Testing

In a swift response to the global COVID-19 pandemic, SourceBio quickly leveraged its scientific capabilities, existing accreditations with the NHS for pathology services, reconfigured laboratory space and capitalised on its staff expertise to set up a COVID-19 Antigen RT-PCR testing capability which launched in May 2020. The testing capacity was grown in modular steps through the year to a targeted 10,500 tests per day capacity ahead of the year-end date. The Group performed over 758,000 tests by the end of 2020 (and exceeded one million tests in the first quarter of 2021).

Test volumes were initially dominated by demand from the DHSC but, as their requirements have become more variable, the customer mix has become less polarised. The customer base in the year comprised the DHSC, certain NHS trusts and other NHS constituents, as well as private healthcare groups and commercial clients.

High volume COVID-19 Antigen RT-PCR laboratory-based tests formed the entire revenues for 2020 but, as highlighted at the time of Admission, the Board anticipates that whilst PCR based testing will remain the gold standard test, the Group will offer additional testing capabilities during 2021. The Group has already reviewed a number of complementary applications, technologies and routes to market. This is evidenced by the announcement of the collaboration with Oxford Nanopore in December 2020, which increases the Group's offering to include LamPORE rapid testing both in a traditional laboratory setting and in more localised environments.

These services generated revenues totalling £34.5 million (2019: £nil) and a gross profit of £13.7 million (2019: £nil), equating to a gross margin percentage of 39.6%.

Healthcare Diagnostics

Healthcare Diagnostics provides a complete histopathology and clinical diagnostics service for the sectioning, processing, staining and analysis of tissue samples on self-prepared and pre-prepared slides. SourceBio operates ISO 15189 accredited medical laboratories and has built a significant network of specialist consultant pathologists, all registered with the Royal College of Pathologists and the General Medical Council. SourceBio maintains service level agreements with over 130 NHS departments, private healthcare providers and pharma and biotech customers.

The principal revenue stream within Healthcare Diagnostics is Cellular Pathology testing, which involves the examination of patient tissue pre- and post-operative. This business had rapidly grown in the previous two years at approximately 40% per annum and indeed grew at approaching 80% in the first quarter of 2020 compared to the first quarter in 2019. The arrival of the COVID-19 pandemic in the first quarter of 2020 and its continued impact had a material effect on the quantity of elective surgeries in the UK which reduced the levels of business throughput. This meant that average monthly revenues in the latter nine months of the year averaged approximately 21% of the average monthly revenues in the first quarter, although there was a noticeable, but modest, uplift in activity in the latter months of the year. The growing size of elective surgery waiting lists has been well publicised in the media and the Group has devoted time in the year to plan and prepare for a material scale-up in activity that it believes will be required when this very large amount of anticipated demand is released.

SourceBio also offers through its Reference Laboratory enhanced molecular diagnostic tests to further investigate the more complex cases. This revenue stream was also impacted by COVID-19 but, by the second half of 2020, was able to return to almost similar levels of activity as pre-COVID-19.

In aggregate, these services generated revenues totalling £4.4 million (2019: £7.3 million) and a gross profit of £1.0 million (2019: £2.9 million), equating to a gross margin percentage of 23.6% (2019: 40.0%), the reduction caused by the reduced volumes of business.

Genomics

Genomics is the study of genes to help progress research and clinical discovery for the pharmaceutical and healthcare industries. SourceBio offers both traditional Sanger Sequencing, which for many years has been the industry accepted standard for sequencing single strands of DNA at a time, and Next Generation Sequencing (“NGS”), which allows the sequencing of millions of strands of DNA at once. NGS sequencing projects are typically larger in scale, complexity and profitability but fewer in number. The Group was disappointed with its revenue mix in 2019, with 75% of Genomics business being Sanger Sequencing and only 25% being NGS. Following the strategic investment in state-of-the-art equipment in late 2019, the 2020 results have positively increased the NGS component to 33% of total Genomics revenues. Whilst both revenue streams were impacted by COVID-19, both bounced back within approximately three months, with Sanger Sequencing in the second half of the year operating at almost similar levels of activity as pre-COVID-19, and NGS in the second half of the year operating at levels approximately 30% higher than pre-COVID.

In aggregate, these services generated revenues totalling £4.2 million (2019: £4.5 million) and a gross profit of £1.7 million (2019: £1.8 million), equating to a gross margin percentage of 41.1% (2019: 39.3%).

Stability Storage

The Stability Storage business unit comprises four offerings: Stability Storage Services, Manufacturing, Service and Validation and Analytical Testing Services primarily for the purpose of shelf-life testing.

The largest of these offerings is Stability Storage Services, which generated 52% (2019: 49%) of this business unit’s revenues. SourceBio delivers outsourced temperature and humidity-controlled environment storage services for

stability trials at all ICH (International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use) specified conditions as well as at bespoke conditions as required. Environmentally controlled stability storage is the gateway for a number of products to be released and to stay on the market. These products range from drug products, medical devices, consumer products and packaging. The Group is well established in this market with accredited facilities in Rochdale, UK. The Group has invested in additional capacity in the Tramore, Ireland facility and completed its fit-out and relocation to a larger site in San Diego, USA, to support growth. Business is secured on recurring contracts which are typically of three year duration, so whilst there has been a reduction in revenue of £0.3 million versus prior year, this has been caused by the predicted natural expiry of contracts. By its nature, this business line therefore provides highly visible recurring revenue at gross margin levels of approximately 80% - indeed this business line has been relatively robust as regards COVID-19.

For those clients wishing to perform shelf-life testing in-house, the Group manufactures temperature and humidity controlled equipment such as cabinets (low volume storage), reach-in rooms and walk-in rooms (high volume storage) for installation at customers' premises. This activity generated 16% of this business unit's revenue (2019: 21%). Sales of capital equipment are naturally variable and subject to economic confidence, but the Board was pleased to secure solid new business in the year and to have an attractive pipeline of further opportunities.

SourceBio also provides Service and Validation services to established clients which have previously purchased and installed SourceBio equipment. These services comprise regular and periodic servicing and testing of installed storage equipment at customer premises to ensure adherence to relevant regulatory standards. This activity generated 32% (2019: 30%) of this business unit's revenue, although there was a modest reduction in revenue of £0.1 million versus prior year, caused by the travel restrictions imposed by the ongoing COVID-19 pandemic.

The Group established its new Analytical Testing service in 2020, allowing SourceBio to undertake the required periodic withdrawal and testing of customers' product samples held within the Group's temperature and humidity controlled storage facilities. This activity generated initial token revenues in 2020.

In aggregate, these activities generated revenues totalling £6.9 million (2019: £7.9 million) and a gross profit of £3.9 million (2019: £4.3 million), equating to a gross margin percentage of 56.1% (2019: 54.8%).

Other non-core services

The Group also offers additional legacy products that it sees as non-core. These products comprised the supply of a set of library clones for research purposes, the market for which is generally declining, and the manufacture and supply of blood and tissue serological products to a limited customer base.

In aggregate, these activities generated revenues totalling £0.8 million (2019: £0.9 million) and a gross profit of £0.2 million (2019: £0.4 million), equating to a gross margin percentage of 20.4% (2019: 43.3%).

Board and Governance

The Board was enhanced in contemplation of Admission to AIM in October 2020. We were delighted to welcome Simon Constantine to the Board as Independent Non-Executive Director and Chair of the Audit Committee. Having worked with Tony Ratcliffe for some months, we were also pleased to formally invite him to join the Board as Chief Financial Officer.

The Board extends its thanks to both James Agnew and Carlo Sgarbi for their efforts and support over a number of years prior to their retirement as Non-Executive Directors this year.

The Board continues to believe that the current make-up of the Board is appropriate to the Group's needs and to meet its governance commitments. The Board is committed to high standards of governance and has adopted the QCA (Quoted Companies Alliance) Code. Further details of compliance can be found in the Corporate Governance Statement within the Annual Report and Accounts and on the Company's website.

COVID-19 testing market backdrop

A very large proportion of the Group's business in 2020 was derived from high volume laboratory based COVID-19 Antigen RT-PCR testing, the Group's only COVID-19 offering. The Board is mindful that the COVID-19 landscape is rapidly evolving and that this brings both uncertainty and opportunity. The Group believes that, whilst PCR based testing will likely remain the gold standard, it will be essential for the Group to offer additional testing services during 2021 and beyond. There has already been a shift in focus from many customers towards screening initiatives using rapid lateral flow testing, as one example - the need for testing is clearly evolving and expanding. The Group has reviewed and validated a number of complementary testing applications, technologies and routes to market and will be launching these progressively, as evidenced by the announcement of the Group's collaboration with Oxford Nanopore in December 2020, which increases the Group's offering to include LamPORE rapid testing both in a traditional laboratory setting and in mobile trailers to provide for more localised community focused testing. It is therefore expected that the Group's COVID-19 testing focus in 2021 will transition from exclusively RT-PCR testing to a wide portfolio of offerings, including rapid testing. Indeed, the Group has already seen multiple COVID-19 revenue streams in the first quarter of 2021, including revenues generated from mobile based testing units operated on behalf of the DHSC and Mitie.

The Group has established a number of new COVID-19 testing initiatives, some of which are in anticipation of the expected lifting of travel restrictions, where significant business is expected to be secured as travel related testing gains momentum. The Group also recently announced the configuring of its San Diego facility to provide COVID-19 testing services to the USA market. This is expected to launch mid-year which, together with the seasonal nature of travel, means that the Group anticipates a significant proportion of 2021 revenues and earnings to be generated from the third quarter of the year onwards, giving a second half bias to the expected results for 2021.

SourceBio is actively planning for demand for COVID-19 testing services to continue potentially longer than was initially anticipated at the start of the pandemic and before the multiple waves of infections and emergence of new virus variants. Whilst the vaccination roll-out to date has been very successful, the Group believes that this will not negate the ongoing need for testing. Indeed, a recent analysis in the US and a number of European countries completed by the Boston Consulting Group concluded " *. . . with peak demand occurring in the seasonally affected first quarters of 2021 and 2022. Although we expect testing volumes to decline after 2021, we expect a continued need for testing in 2023 and 2024 as the disease enters a more endemic phase*". Airports, airlines, cruise lines and hotels are already looking to establish testing services for passengers and guests. Similarly, the sports and entertainment industries are also building on-site testing capabilities and tests are expected to continue to be sold in leading high street pharmacy outlets.

Outlook

The Group has been through a transformational year in 2020 and starts the new year with a strong cash balance, no borrowings, and a business that is rapidly growing whilst generating substantial earnings and cash. Trading in the early months of 2021 has been solid and in line with the Board's expectation.

The Group is working hard in all the COVID-19 testing initiatives described above and the Board believes the Group is well placed to capture attractive new business opportunities.

The Board also believes that its long-standing three business units, Healthcare Diagnostics, Genomics and Stability Storage offer both near-term and longer-term sustained growth potential. Whilst elective surgeries continue to be significantly and quite publicly delayed, the backlog of potential work for our Cellular Pathology teams appears to be growing very substantially. Whilst the timing of a return to substantial volumes of work cannot be accurately predicted, the Board believes that the volumes will be very high when they do return, and the teams have prepared plans to cope with the significant volume growth expected in due course.

Given the current macro environment, the Board believes that SourceBio is well positioned to deliver further substantial growth in revenue, earnings and cash generation in 2021. It will also continue to consider potential acquisition opportunities. We look forward to updating shareholders further during the year.

Chief Financial Officer's Review

Revenue

Revenue for 2020 was £50.7 million (2019: £21.2 million), an increase of 139%.

Revenue across the four core business units is summarised below:

Business unit	**2020 £'000**	2019 £'000
Infectious Disease Testing	**34,463**	-
Healthcare Diagnostics	**4,424**	7,293
Genomics	**4,219**	4,523
Stability Storage	**6,880**	7,934
Core operations	**49,986**	19,750
Non-core operations	**751**	916
Sub total	**50,737**	20,666
Wound down operations	**-**	568
Total	**50,737**	21,234

The Group established a new business unit in 2020, Infectious Disease Testing, following its launch of COVID-19 Antigen RT-PCR testing services in May. During 2020 the Group rapidly built capacity at its Nottingham facility and secured total revenues of £34.5 million (2019: £nil).

The three established business units, Healthcare Diagnostics, Genomics and Stability Storage, were all to a degree impacted by COVID-19 during 2020.

- The Healthcare Diagnostics business unit delivered revenues of £2.7 million (2019: £5.6 million) from Cellular Pathology testing, where volumes were heavily impacted by well publicised delays in elective surgeries. These delays continued through 2020 whilst the backlog of potential work has reportedly dramatically increased. The Reference Laboratory delivered revenues of £1.7 million (2019: £1.7 million), with work in this area quickly recovering from an initial impact from COVID-19;
- Genomics comprises traditional Sanger Sequencing, which delivered revenues of £2.8 million (2019: £3.4 million) and NGS (Next Generation Sequencing), which delivered revenues of £1.4 million (2019: £1.1 million). The Company invested in state-of-the-art equipment in 2019 as part of the strategic objective of skewing business towards a greater proportion of generally higher value and high margin NGS work, which proved successful in 2020. Both revenue streams within Genomics recovered quickly following a modest impact from COVID-19; and
- Stability Storage comprises Stability Storage Services which delivered revenues of £3.6 million (2019: £3.9 million), Service and Validation which delivered revenues of £2.2 million (2019: £2.3 million) and Manufacturing which delivered revenues of £1.1 million (2019: £1.7 million). Stability Storage Services, which are sold on a recurring revenue model, were relatively robust. Service and Validation work was impacted by the restrictions to travel, whilst equipment sales, being capital purchase items, were naturally affected by general economic uncertainties.

Gross profit

Gross profit for the year was £20.5 million (2019: £8.7 million), representing a gross margin percentage of 40.3% (2019: 40.9%). Although the quantum and mix of revenue dramatically changed in 2020, gross margin percentage levels were maintained overall.

Expenses

Total expenses for the year were £9.8 million (2019: £7.7 million), an increase of £2.1 million. The biggest cause of the increase was £1.5 million of exceptional expenses in relation to the Company's Admission to AIM in October. The remaining £0.6 million of increase occurred across a number of areas but reflected a general containment of expenditures in spite of the dramatic increase in business throughput and revenues generated. Management was largely able to utilise existing infrastructure to establish and build COVID-19 testing capacity.

The total charge for depreciation of tangible fixed assets and amortisation of intangible fixed assets increased to £2.0 million (2019: £1.8 million) due primarily to increased laboratory equipment depreciation.

EBITDA

The Board's key measure of underlying business profitability and addressing trends across periods is adjusted earnings before interest, tax, depreciation and amortisation, share based payments and exceptional items (adjusted EBITDA). In 2020, the Group achieved an adjusted EBITDA of £14.2 million (2019: £3.0 million), an increase of 369%. This translated to an adjusted EBITDA percentage in the year of 27.9% (2019: 14.2%), an almost doubling in adjusted EBITDA margin. There were no share based payments in the year or in the comparative period and exceptional items in the year amounted to £1.5 million (2019: £0.2 million). The principal driver for the huge growth in adjusted EBITDA was the level of COVID-19 test revenues and gross profit secured in the year, which did not necessitate corresponding increases in expenses.

Finance costs

Total finance costs for the year were £7.9 million (2019: £9.1 million), a decrease of £1.2 million. The largest component was £7.5 million (2019: £8.8 million) in relation to the compounding (non-cash) interest charges in relation to the PIK loan notes and loans provided by shareholders. Prior to Admission, the PIK loan notes were redeemed and converted into equity. Shortly after Admission, the Group settled the shareholder loans outstanding, which then amounted to £26.0 million, from the proceeds of the share placing. In addition, the Company incurred interest charges of £0.2 million (2019: £0.2 million) in relation to bank borrowings. Shortly after Admission, the Group settled the bank borrowings outstanding, which then amounted to £5.1 million, from the proceeds of the share placing and sale and leaseback transaction. The remaining finance costs of £0.3 million (2019: £0.1 million) related to finance leases charges. At the year-end date the Group had no borrowings other than leases.

Tax

An income tax credit arose amounting to £0.2 million (2019: charge of £0.1 million). The vast majority of the earnings were generated in the UK, where the Group was able to utilise brought forward tax losses to reduce its overall income tax charge. The Group has trading losses of £1,115,000 in its USA subsidiary available for carry forward beyond the year-end date.

Earnings per share

The Board believes that adjusted earnings per share provides the clearest measure of underlying earnings performance. Adjusted earnings per share is an Alternative Performance Measure and is calculated by dividing the result for the year attributable to ordinary shareholders, excluding interest expense attributable to the shareholder loans and PIK loan

notes and expenses related to exceptional items, as well as the tax effect of these items, by the weighted average number of ordinary shares in issue during the year. The adjusted earnings per share in the year amounted to 19.8 pence per share (2019: 1.7 pence per share), a more than ten-fold growth.

The Group had no share options in issue thus its basic and diluted earnings per share were the same. The basic and diluted earnings per share in the year amounted to 5.3 pence per share (2019: 16.4 loss pence per share).

Intangible assets

Goodwill at the year-end date remained at £10.0 million, with no impairment charged in the year and other intangible assets remained at a net book value of £0.3 million.

Property, plant and equipment

Net book value of property, plant and equipment at the year-end date amounted to £7.0 million (2019: £6.5 million), an overall increase of £0.5 million. Additions in the year totalled £3.9 million, comprising mainly laboratory equipment of £1.8 million, fixtures and fittings of £1.4 million and leasehold improvements of £0.7 million, which were primarily required to support the creation and capacity build-up of COVID-19 testing services. During the year, the freehold facility at Nottingham was sold and leased back, thus there was a disposal from property, plant and equipment and an addition to right-of-use assets. At the time of disposal, the property had a net book value of £2.2 million and it was sold for £5.0 million. Under IFRS 16, the profit realised of £2.8 million was offset against the right-of-use asset value created.

Right-of-use assets

As a result of the implementation of IFRS 16 “Leases”, the Group recorded at the balance sheet date £9.5 million of right-of-use assets (2019: £4.3 million), an overall increase of £5.2 million which represented the creation of a right-of-use asset as a consequence of the new lease on the Nottingham property.

Inventories

Inventories at the year-end date amounted to £3.6 million (2019: £0.8 million), the increase due to the stockholding requirements of COVID-19 testing following the establishment of the Infectious Disease Testing business unit.

Trade and other receivables

Trade and other receivables at the year-end date amounted to £10.5 million (2019: £5.2 million), the increase driven by the receivables within the Infectious Disease Testing business unit. The credit losses provision at the year-end date amounted to £34,000 (2019: £282,000), the reduction driven by the increased proportion of government work undertaken. Overall, debtor days outstanding at the year-end date were 42 days (2019: 47 days) and during the year averaged 37 days (2019: 53 days).

Lease liabilities

Total lease liabilities at the year-end date amounted to £12.1 million (2019: £4.1 million), an increase of £8.0 million. This increase was primarily driven by the inclusion of the right-of-use liability of £8.6 million in relation to the Nottingham property, following the sale and leaseback transaction in October 2020.

Cash and working capital

Cash generation from operations was strong at £6.4 million (2019: £2.9 million). Cash and cash equivalents at the year-end date amounted to £8.4 million (2019: £1.2 million). Borrowings (excluding leases) at the year-end date were £nil (2019: £95.9 million) as the Group redeemed and converted its outstanding PIK loan notes into equity and repaid all of

its bank and shareholder borrowings. The improved funding position of the Group was driven principally by the increased cash generation of the business, fuelled by the growth in COVID-19 testing services, by the funds raised from the placing on the Company's Admission to AIM which amounted to gross proceeds of £35.0 million, and from the proceeds of the sale and leaseback transaction of the Nottingham facility, which amounted to £5.0 million.

The Group currently has no bank borrowing facilities.

Net assets

Net assets at the year-end date amounted to £31.8 million (2019: net liabilities £77.2 million), the improved position arising from the settlement of borrowings made possible by the £35.0 million of funds raised on Admission to AIM and also as a consequence of the reorganisation ahead of the AIM Admission where the shareholder PIK loan notes of £72.7 million were redeemed and converted into equity.

Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the year ended 31 December 2020

Continuing operations:	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
Revenue	**50,737**	21,234
Cost of sales	**(30,284)**	(12,548)
Gross profit	**20,453**	8,686
Distribution costs	**(1,573)**	(1,465)
Administrative expenses	**(8,181)**	(6,193)
Adjusted EBITDA	**14,155**	3,016
Depreciation	**(1,890)**	(1,556)
Amortisation	**(102)**	(255)
Exceptional costs	**(1,464)**	(177)
Operating profit	**10,699**	1,028
Finance costs	**(7,908)**	(9,057)
Profit / (loss) before tax	**2,791**	(8,029)
Taxation	**201**	(116)
Profit / (loss) attributable to equity shareholders of the Company	**2,992**	(8,145)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
- Exchange differences on translation of foreign operations	**208**	(37)
Total comprehensive income attributable to equity shareholders of the Company	**3,200**	(8,182)

Earnings per share		
Adjusted profit per ordinary share	**19.8p**	1.7p
Basic and diluted earnings / (loss) per ordinary share	**5.3p**	(16.4)p

Consolidated Statement of Financial Position
As at 31 December 2020

	31 December 2020 £'000	31 December 2019 £'000
Assets		
Non-current assets		
Intangible assets – goodwill	**9,993**	9,993
Intangible assets – other	**349**	311
Property, plant and equipment	**6,959**	6,480
Right-of-use assets	**9,478**	4,257
Deferred tax asset	**395**	-
Total non-current assets	**27,174**	21,041
Current assets		
Inventories	**3,598**	816
Trade and other receivables	**10,472**	5,227
Cash and cash equivalents	**8,435**	1,235
	22,505	7,278
Assets classified as held for resale	**475**	475
Total current assets	**22,980**	7,753
Total assets	**50,154**	28,794
Equity attributable to equity shareholders of the Company		
Share capital	**111**	2,906
Share premium account	**33,189**	-
Foreign exchange reserve	**171**	(37)
Retained earnings	**(1,637)**	(80,117)
Total equity	**31,834**	(77,248)
Liabilities		
Non-current liabilities		
Trade and other payables	**394**	365
Borrowings	**-**	71,537
Lease liabilities	**11,602**	3,449
Deferred tax liabilities	**-**	30
Provisions	**141**	160
Total non-current liabilities	**12,137**	75,541
Current liabilities		
Trade and other payables	**5,494**	5,389
Borrowings	**-**	24,403
Corporation tax payable	**126**	38
Lease liabilities	**547**	656
Provisions	**16**	15
Total current liabilities	**6,183**	30,501
Total liabilities	**18,320**	106,042
Total equity and liabilities	**50,154**	28,794

Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

	Share capital	Share premium account	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	2,905	-	-	(71,972)	(69,067)
Loss for the year	-	-	-	(8,145)	(8,145)
Other comprehensive expense	-	-	(37)	-	(37)
Total comprehensive expense for the year	-	-	(37)	(8,145)	(8,182)
Transactions with owners, recorded directly in equity					
- Proceeds from shares issued	1	-	-	-	1
Total transactions with owners	1	-	-	-	1
Balance at 31 December 2019	2,906	-	(37)	(80,117)	(77,248)
Profit for the year	-	-	-	2,992	2,992
Other comprehensive income	-	-	208	-	208
Total comprehensive income for the year	**-**	**-**	**208**	**2,992**	**3,200**
Transactions with owners recorded directly in equity					
- Redemption of PIK loan notes in consideration for issuance of shares	72,658	-	-	-	72,658
- Reduction in share capital	(75,488)	-	-	75,488	-
- Proceeds from shares issued	3	-	-	-	3
- Proceeds from shares issued on Admission to AIM	32	34,968	-	-	35,000
- Costs of share issue	-	(1,779)	-	-	(1,779)
Total transactions with owners	**(2,795)**	**33,189**	**-**	**75,488**	**105,882**
Balance at 31 December 2020	**111**	**33,189**	**171**	**(1,637)**	**31,834**

Consolidated Statement of Cash Flows
For the year ended 31 December 2020

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities		
Profit / (loss) for the year	**2,992**	(8,145)
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	**1,890**	1,556
Amortisation	**102**	255
Reversal of past impairment	**-**	(36)
Foreign exchange	**253**	(142)
Profit on disposal of property, plant and equipment	**-**	(106)
Finance costs	**7,908**	9,057
Taxation	**(201)**	116
Issue costs of new shares	**1,464**	-
Working capital adjustments:		
(Increase) / decrease in inventories	**(2,782)**	582
(Decrease) in provisions	**(18)**	(465)
(Increase) / decrease in trade and other receivables	**(5,245)**	1,306
Increase / (decrease) in trade and other payables	**25**	(1,068)
Cash generated from operations	**6,388**	2,910
Income tax paid	**(48)**	(57)
Net cash inflows from operating activities	**6,340**	2,853
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,870)**	(907)
Purchase of intangible assets	**(140)**	(80)
Proceeds on disposal of property, plant and equipment	**5,000**	406
Net cash generated by / (used in) investing activities	**990**	(581)
Cash flows from financing activities		
Gross proceeds from issue of shares	**35,003**	-
Costs of Admission to AIM and new share issuance	**(3,243)**	-
New borrowings secured	**2,000**	-
Repayment of borrowings	**(30,253)**	(1,000)
Interest paid	**(2,750)**	(303)
Payment of lease liabilities	**(894)**	(763)
Net cash (used in) financing activities	**(137)**	(2,066)
Net increase in cash and cash equivalents	**7,193**	206
Net foreign exchange difference on cash and cash equivalents	**7**	(9)
Cash and cash equivalents at the beginning of year	**1,235**	1,038
Cash and cash equivalents at the end of year	**8,435**	1,235

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. General Information

SourceBio International plc (the "Company" or "SourceBio") was incorporated on 8 July 2016 as Sherwood Holdings Limited and changed its name, and re-registered as a public limited company, SourceBio International plc, on 21 October 2020. SourceBio is a company incorporated in England and Wales and domiciled in the UK. The ordinary shares of the Company are traded on the AIM Market of the London Stock Exchange. The address of the registered office is 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX.

SourceBio is the ultimate parent Company of a number of subsidiaries whose principal activity is as an international provider of integrated state-of-the-art laboratory services and products to the healthcare and clinical, life and applied sciences and biopharma industries.

Two significant changes have occurred in this financial reporting period:

- Firstly, the COVID-19 global pandemic materially impacted on the trading results of the long established core business, most notably the Cellular Pathology services within the Healthcare Diagnostics business unit. The Group more than made up the revenue and profit shortfall through the establishment of a new Infectious Disease Testing business unit, which generated significant revenues and earnings from the provision of large scale laboratory RT-PCR based COVID-19 testing services; and
- Secondly, the Company listed on AIM on 29 October 2020 and raised £35 million gross funds. Shortly before this transaction the Company completed a capital reorganisation. The net result was that the Group settled its PIK loan notes and repaid all of its shareholder loans and bank borrowings during the year.

2. Summary of Significant Accounting Policies

Accounting policies for the year ended 31 December 2020
The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Basis of preparation
The consolidated accounts of SourceBio International plc have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 (IFRS).

The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in Sterling which is the functional and presentational currency of the Group and are rounded to the nearest thousand, £'000, except where otherwise indicated.

The results shown do not constitute statutory financial statements for the year ended 31 December 2020 within the meaning of section 435 of the Companies Act 2006 but are extracted from those financial statements. Statutory accounts for the year ended 31 December 2020 will be delivered to the Registrar of Companies following the Company's Annual General Meeting in June.

The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2020 and not early adopted

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2021 or later periods and which the Group has decided not to adopt early. The Group has considered the impact of these new standards and interpretations in future periods on profit, earnings per share and net assets. None of these new standards or interpretations is expected to have a material impact.

Going concern

The Directors have prepared detailed budgets and forecasts covering the period to 31 December 2022 which are based on the medium-term strategic business plan prepared for the period to 31 December 2023. These plans take into account all reasonably foreseeable circumstances and include consideration of trading results and cash flows on a month-by-month basis. This forecasting has been undertaken following the impact of COVID-19 and has considered both the negative impact on the core business and the positive impact derived from the recently established Infectious Disease Testing business unit which is expected to continue to materially contribute to the financial results going forward.

The Group is expected to generate cash and operating profits sufficient to meet its day-to-day operating needs and to support its planned capital expenditure. Taking into account the proceeds from the recent IPO and based on their enquiries and the information available to them in respect of the other risks and uncertainties set out herein, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. Thus, they have adopted the going concern basis of accounting in preparing these financial statements.

Basis of consolidation

The Group's consolidated financial statements include the results of the Company and all its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intangible assets

Goodwill

Goodwill is initially measured at fair value, being the excess of the aggregate of the consideration transferred over the fair value of the net assets acquired, and any previous interest held over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The goodwill is tested annually for impairment irrespective of whether there is an indication of impairment.

For the purposes of impairment testing, goodwill is allocated to the cash generating units ("CGUs") expected to benefit from the acquisition. CGUs to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Intangible assets (other than goodwill)
Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	-	5 years
Development costs	-	4 years
Customer relationships	-	4 to 6 years

Research and development expenditure
Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated. Development costs relate to a laboratory information management system that was developed internally by the Group.

Property, plant and equipment
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Cost comprises purchase cost together with any incidental cost of acquisition.

Depreciation is provided to write down the cost less estimated residual value of all tangible fixed assets by equal instalments over their expected useful economic lives on a straight-line basis. The following useful lives are applied:

- Freehold buildings: 50 years
- Leasehold improvements: remaining lease term
- Plant, fixtures, fittings and equipment: 3 to 15 years
- Motor vehicles: 4 years

Right-of-use assets (included within property, plant and equipment) relate to leasehold buildings and office equipment and are depreciated over the lease term.

Impairment of non-current assets
At each reporting period end date, the Group reviews the carrying amounts of its non-current 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount

that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories
Inventory is stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis and includes costs associated with bringing the items to their present location and condition. Net realisable value is the estimated selling price less costs to complete and sell.

Financial instruments
The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised on the date the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not a fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. Financial instruments are derecognised on the trade date when the Group is no longer a party to the contractual provisions of the instrument.

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, lease liabilities and trade and other payables.

Trade and other receivables and trade and other payables
Trade and other receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Trade and other payables are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any expected credit losses in the case of trade receivables. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Contract assets
Contract assets are recognised when revenue is recognised but payment is conditional on a basis other than the passage of time. Contract assets are included in trade and other receivables.

Contract liabilities
Contract liabilities are recognised when payment from a customer is received in advance of performance obligations being satisfied. Contract liabilities are recognised in trade and other payables.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised costs using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only on the cash flow statement.

Provisions
A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Employee benefits
The Group operates a defined contribution money purchase pension scheme under which it pays contributions based upon a percentage of the members' basic salary. Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income and differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases
The Group leases various office and laboratory facilities, warehousing, as well as certain laboratory, IT and office equipment and a number of vehicles. Rental contracts are typically made for fixed periods of variable lengths. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payments based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases held by the Group, the Group uses an estimated incremental borrowing rate, being the rate that the individual lessee is estimated to have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- any potential restoration costs.

The Group leases properties in Nottingham and Cambridge in the UK, San Diego in the USA, as well as Tramore and Dublin in Ireland. All such leases are accounted for by recognising a right-of-use asset and a lease liability.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office equipment.

Finance income and expenses
Finance expenses comprise interest payable (including lease liability interest) and is recognised in the profit or loss using the effective interest method.

Finance income is recognised in the profit or loss as it accrues.

Revenue recognition
Revenue is recognised when control of a service or product provided by the Group is transferred to the customer, in line with the Group's performance obligations in the contract, and at an amount reflecting the consideration the Group expects to receive in exchange for the provision of services.

The Group recognised revenue from the following activities:

Services
Revenues received or receivable for services, typically provided under contract pathology, COVID testing, Sanger Sequencing services, Stability Storage and Analytical Testing services, are recognised when the services are provided, which may be when a test result is delivered or (for an extended service contract) on a pro-rata basis in line with the committed period to provide that service.

Products
Revenue from sales of products, typically provided under processed human tissue, genomic reagents and antibodies and serology is recognised when goods are delivered to and accepted by the customer.

Service agreements
Revenue relating to service contracts invoiced at the inception of the agreements is deferred such that the income is recognised over the contract life. The revenue is recognised in line with the provision of the services or, where the quantum and timing of the services cannot be reliably predicted, evenly over the period of the agreement.

Contracts recognised over time and with multiple elements
The Group enters into certain contracts that are performed over time. These include Genomics, Validation Services and Manufacturing.

Under these contracts revenue is recognised based on the stage of completion. The assets created do not have an alternative use and the Group has an enforceable right to payment for performance completed to date on such contracts.

Where the Group enters into contracts for the supply and installation of products, revenue is recognised based on the specific terms of each contract. In some instances, this requires the allocation of the transaction price between the supply of the product and the installation and commissioning. Where contracts require separation, the revenue is allocated based on the fair values attributable to the separate elements and the performance obligations being met.

Testing kits
The price charged for the testing kits is specified in agreements negotiated with each customer. The price for the testing kits comprises an amount for laboratory consumables and reagents required to perform the tests and, where the systems are supplied on a rental basis, an equipment premium, which is equivalent to a rental charge, and an amount for maintenance of the systems during the term of the agreement. All contracts are for a fixed price and do not include variable consideration.

Revenue associated with the laboratory consumables and reagents is recognised when the testing kits are delivered and accepted by the customer. Revenue from the equipment premium and maintenance element is recognised over the period in which the customer is expected to benefit from the provision of these elements of the supply.

Pre-paid vouchers
Vouchers are sold to customers in advance in return for the right to receive certain sequencing services in the future. These are not cash refundable. The revenue associated with these voucher sales is recognised when the services are performed and obligations met with an estimate made for a proportion of vouchers that are not expected to be redeemed, based on prior period redemption rates.

Taxes
Corporation tax, where payable, is provided on taxable profits at the current rate.

Deferred tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Foreign currency translation
Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

The functional currency of the Group is Sterling. Exchange differences arising from the translation of foreign operations are recognised in other comprehensive income and accumulated in a foreign currency translation reserve within equity.

Equity instruments
Equity instruments issued by the Group are recorded as the value of the proceeds received net of direct issue costs.

Exceptional costs
The Group presents as exceptional items on the face of the Statement of Comprehensive Income those material items of income and expense which, because of the nature, expected infrequency and materiality of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior years.

3. First time adoption of IFRS

These extracts from the financial statements, for the year ended 31 December 2020, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2019, the Group prepared its financial statements in accordance with generally accepted accounting principles (UK GAAP). Accordingly, the Group has prepared financial statements that comply with IFRS applicable as at 31 December 2020, together with the comparative period data for the year ended 31 December 2019, as described in the summary of significant accounting policies. Fuller details are provided in the Company's Annual Report and Accounts.

4. Operating segments

Operating segments description
IFRS 8 requires that operating segments be identified on the basis of internal reporting and decision-making. Management has determined the Group's operating segments based on the monthly management reports presented to the Chief Operating Decision Maker ("CODM"). The CODM is the Executive Chairman and the monthly management reports are used by the Group to make strategic decisions and allocate resources. For the purposes of management reporting to the CODM, the commercial activities of the Group are organised into four business segments:

- Infectious Disease Testing;
- Healthcare Diagnostics;
- Genomics; and
- Stability Storage.

The Infectious Disease Testing business unit was formed in May 2020 when the Group launched COVID-19 testing services in response to the unfolding global pandemic. In addition to these four business segments, the Group has modest continuing non-core operations, which are presented separately and modest wound down operations (in 2019 only) which are also presented separately.

Revenue and gross profit by business segment
Revenues and gross profits are presented for each business segment but, due to the shared nature of many expenses, expenses are not separately allocated across the business segments.

There have been immaterial sales between business segments, and where these do occur they are at arm's length pricing.

Unallocated costs represent common costs.

	2020		2019	
	Revenue	**Gross profit**	Revenue	Gross profit
	£'000	**£'000**	£'000	£'000
Infectious Disease Testing	**34,463**	**13,663**	-	-
Healthcare Diagnostics	**4,424**	**1,046**	7,293	2,919
Genomics	**4,219**	**1,734**	4,523	1,779
Stability Storage	**6,880**	**3,857**	7,934	4,349
Unallocated	**-**	**-**	-	(547)
Core operations	**49,986**	**20,300**	19,750	8,500
Non-core operations	**751**	**153**	916	397
Sub total	**50,737**	**20,453**	20,666	8,897
Wound down operations	**-**	**-**	568	(211)
Total	**50,737**	**20,453**	21,234	8,686

Due to the shared nature of many assets, assets and liabilities are not able to be separately allocated across the business segments, but are reported to the CODM on an aggregate basis.

Adjusted EBITDA (Alternative Performance Measure)
The CODM, Board and Executive Management team primarily use a measure of adjusted earnings before interest, tax, depreciation and amortisation and exceptional items (EBITDA before exceptional costs, or adjusted EBITDA) to assess the performance of the overall business. This is an Alternative Performance Measure. The reconciliation of adjusted EBITDA to operating profit is shown on the face on the Consolidated Statement of Profit and Loss. Exceptional items are summarised in note 6.

5. Revenue

Geographical segments
The Group manages its business segments on a global basis. The operations are based primarily in the UK, with additional facilities in Europe and the USA.

The revenue analysis in the table below is based on the location of the customer.

	2020	2019
	£'000	£'000
United Kingdom	46,657	15,438
Europe	2,349	3,631
USA	1,731	2,165
Total	**50,737**	21,234

The Group details below significant customers who have contributed to more than 10% of Group revenue:

	2020	2019
	£'000	£'000
Department of Health and Social Care	17,200	-
Spire Healthcare Limited	10,700	-

6. Exceptional items

	2020	2019
	£'000	£'000
Costs in relation to the Company's Admission to AIM	1,464	-
Restructuring and other costs	-	161
Goodwill and asset impairment	-	(36)
Legal claim accrual	-	206
Release of employment matters provision	-	(154)
Total	**1,464**	177

The Company was admitted to AIM on 29 October 2020 and incurred total professional fees and transaction costs (including unrecoverable VAT) of £3,243,000, of which £1,779,000 was charged to the share premium account and £1,464,000 was recorded as exceptional costs in the profit and loss.

7. Finance costs

	2020	2019
	£'000	£'000
On bank and other loans	(7,677)	(8,961)
On lease liabilities	(231)	(96)
Total	**(7,908)**	(9,057)

8. Taxation

	2020	2019
Current tax	**£'000**	£'000
UK corporation tax on losses for the current year	232	-
Adjustment in respect of previous years	(62)	16
Foreign taxation	54	90
Foreign taxation adjustment in respect of previous years	-	(10)
Total	**224**	96
Deferred tax		
Origination and reversal of timing differences	(431)	10
Adjustments in respect of prior periods	-	10
Effect of tax rate change on opening balance	6	-
Total	(425)	20
Total (credit) / charge	**(201)**	**116**

Reconciliation of tax expense

The tax assessed on the profit / (loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2019: 19%):

	2020	2019
	£'000	£'000
Profit / (loss) on ordinary activities before taxation	2,791	(8,029)
Profit / (loss) on ordinary activities by rate of tax	530	(1,526)
Expenses not deductible for tax purposes	422	173
Ineligible depreciation	23	181
Movement in deferred tax not recognised	(1,402)	(292)
Adjustment in respect of prior periods	(62)	16
Leases including sale and leaseback	(559)	-
Interest not deductible under thin capitalisation rules	898	1,578
Effect of change in corporation tax rate	6	(27)
Losses eliminated	-	83
Other	(57)	(70)
Tax (credit) / charge on profit or loss	**(201)**	**116**

The Group has £274,000 of deferred tax assets, arising from tax losses within Source BioScience Inc. and other short-term timing differences which based on the anticipated future profitability of the entity, have not been recognised.

9. Earnings / (loss) per share

Basic earnings per share is calculated by dividing the result for the year attributable to ordinary shareholders of the Company by the weighted average number of shares in issue during the year. For 2019 and 2020, the share numbers used have been calculated consistently to take into account the 2020 share reorganisation, i.e. by assuming the various steps of the share reorganisation had been in effect through 2019 and 2020.

Diluted earnings per share is calculated by dividing the result for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year adjusted for the effects of dilutive options. As there are no options in issue, diluted earnings per share is the same as basic earnings per share.

The calculation of basic earnings per share for the year was based on the profit attributable to ordinary shareholders of £2,992,000 (2019: £8,145,000 loss) and 56,307,171 ordinary shares (2019: 49,711,000 ordinary shares) being the weighted average number of ordinary shares in issue.

Adjusted earnings per share, an Alternative Performance Measure, is calculated by dividing the result for the year attributable to ordinary shareholders, excluding interest expense attributable to the shareholder loans and PIK notes and expenses related to exceptional items, as well as the tax effect of these items, by the weighted average number of ordinary shares in issue during the year.

The calculation of adjusted earnings per share for the year was based on the adjusted profit attributable to ordinary shareholders of £11,169,000 (2019: £826,000) and 56,307,171 ordinary shares (2019: 49,711,000 ordinary shares) being the weighted average number of ordinary shares in issue.

The calculation of adjusted earnings, which includes any impact of taxation is as below:

	2020	2019
	£'000	£'000
Profit / (loss) for the year	**2,992**	(8,145)
Interest payable on shareholder loans and PIK loan notes	**7,677**	8,961
Exceptional items	**1,464**	177
Tax effect of the above	**(964)**	(167)
Adjusted profit for the year	**11,169**	826

The reconciliation of the earnings and weighted average number of shares used in the calculations is set out below:

	2020			2019		
	Earnings £'000	**Weighted average number of shares 000's**	**Per share amount (pence)**	Earnings £'000	Weighted average number of shares 000's	Per share amount (pence)
Basic and Diluted EPS						
Earnings attributable to ordinary shareholders of the Company	2,992	56,307	**5.3p**	(8,145)	49,711	(16.4)p
Adjusted basic EPS						
Adjusted earnings attributable to ordinary shareholders of the Company	11,169	56,307	**19.8p**	826	49,711	1.7p

10. Share capital

	2020		2019	
Issued and fully paid	**Number**	**£'000**	Number	£'000
Ordinary shares of 1p each	-	-	290,549,917	2,905
A ordinary shares of 0.001p each	-	-	32,283,324	1
ordinary shares of 0.15p each	74,183,038	111	-	-
At 31 December	**74,183,038**	**111**	322,833,241	2,906

The share movements in 2019 and 2020 are detailed below:

Issued and fully paid	1p and 0.001p ordinary shares Number	0.001p A ordinary shares Number	0.15p ordinary shares Number	£'000
At 1 January 2019	290,549,917		-	2,905
Issuance of ordinary shares of 0.001p each	-	32,283,324	-	1
At 31 December 2019	290,549,917	32,283,324	-	2,906
Redemption of PIK loan notes, issuance of 1p shares	7,265,790,769	-	-	72,658
Capital reduction 1p to 0.001p shares	-	-	-	(75,488)
Consolidation into 0.15p ordinary shares	(7,556,340,686)	-	50,375,603	-
Consolidation into 0.15p A ordinary shares and subsequent conversion into 0.15p ordinary shares	-	(32,283,324)	215,222	-
Allotment of 0.15p ordinary shares to Jay LeCoque	-	-	1,987,275	3
Total prior to Admission to AIM	-	-	52,578,100	79
Allotment of shares on Admission to AIM	-	-	21,604,938	32
At 31 December 2020	**-**	**-**	**74,183,038**	**111**

In October 2020 the PIK loan notes issued by the Company were redeemed and delisted from the Cayman Stock Exchange on the same day. Such redemption was satisfied by the allotment of ordinary shares of 1p each in the capital of the Company. This resulted in an allotment of a total of 7,265,790,769 ordinary shares of 1p each in the capital of the Company, issued and credited as fully paid.

Following this, the Company undertook a capital reduction of the nominal value of the ordinary shares of the Company, reducing the nominal value of such ordinary shares from 1p to 0.001p. The amount by which the Company's capital was reduced was treated as a realised profit and therefore was used to increase the retained earnings of the Company and therefore created distributable reserves.

In October 2020, following the capital reduction by the Company referred to above, the following consolidations of shares took place:

(a) the ordinary shares of 0.001p each in the capital of the Company were consolidated into ordinary shares of 0.15p each; and
(b) the A ordinary shares of 0.001p each in the capital of the Company were consolidated into A ordinary shares of 0.15p each.

In October 2020, following the consolidation of shares in the Company referred to above, the A ordinary shares in the Company were converted into ordinary shares of 0.15p each, thereby resulting in the Company having only one class of share. Following the above steps, an allotment of 1,987,275 ordinary shares of 0.15p each was made to Jay LeCoque. Following the above allotment, the entire issued share capital of the Company comprised 52,578,100 ordinary Shares.

On Admission to AIM in October 2020, a total of 21,604,938 new ordinary shares were issued for cash consideration totalling £35 million. All 0.15p ordinary shares carry equal rights in all respects including rights to vote, receive dividends and participate in any distribution on a winding up.

11. Borrowings

Current	2020 £'000	2019 £'000
Bank loans and overdrafts	-	1,000
Other loans	-	23,403
Total		24,403

Non-current		
Bank loans and overdrafts	-	3,850
Other loans	-	67,687
Total		71,537

Bank loans and overdrafts

As at 31 December 2020, the Group owed a total of £nil (2019: £4,850,000) in respect of a term loan and revolving credit facility with Barclays Bank plc.

As at 31 December 2020, £nil (2019: £1,250,000) was owed in respect of the term loan. The term loan issued was for a value of £5,000,000, repayable in quarterly instalments of capital and interest commencing on 24 June 2016.

As of 31 December 2020, the revolving credit facility available to the Group was £2,800,000 which has since lapsed. As at 31 December 2020 £nil (2019: £3,600,000) was drawn.

The rate of interest applicable to each loan/facility is the aggregate of the applicable margin and LIBOR. The applicable margin varies between 2.9% and 3.75%.

Bank loans and overdrafts of the Group, including the latterly undrawn facility, were secured by fixed and floating charges over certain assets of the Group.

Other loans

PIK loan notes

Prior to conversion into equity, the Company had unsecured PIK loan notes of £49,400,000 issued to certain shareholders. These were repayable on 31 December 2023, or earlier in the event of an exit, and interest accrued at 10%, which was rolled up with the principal sum and payable on the repayment date.

In October 2020 the PIK loan notes issued by the Company were redeemed and delisted from the Cayman Stock Exchange on the same day. Such redemption was satisfied by the allotment of ordinary shares of 0.0001p each in the capital of the Company. This resulted in an allotment of a total of 7,265,790,769 ordinary shares of 0.0001p each in the capital of the Company, issued and credited as fully paid.

Unsecured loan notes

Prior to settlement during the year, other unsecured loan notes include £16,600,000, which were all originally repayable on 31 December 2018. Interest accrued and was rolled-up with the principal sum as follows:

- 5% per annum up to 31 March 2017;
- 8% per annum from 1 April 2017 to 31 May 2017;
- 10% per annum from 1 June 2017 to 30 June 2017; and
- 12.5% per annum thereafter.

In October 2018, the Company re-negotiated the repayment date of the £16,600,000 unsecured loan notes so that there was no fixed repayment date. During the year, the unsecured loan notes were repaid, thus the balance at the year-end was £nil (2019: £23,403,000).