SourceBio
International plc

Annual Report & Accounts

for the year ended 31 December

2020

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SourceBio International plc

SourceBio International plc ("SourceBio") is a leading international provider of integrated state-of-the-art laboratory services and products to clients in the healthcare, clinical, life science research and biopharma industries, with a focus on improving patient diagnosis, management and care. The Group is headquartered in Nottingham, UK with additional facilities in the UK, Ireland and the USA.

The Group's revenues are derived from four core businesses areas:

Infectious Disease Testing - Since May 2020, COVID-19 Antigen RT-PCR testing services to the NHS, private healthcare providers and private industry. It is expected that the Group's COVID-19 testing focus in 2021 will transition to a wider portfolio of offerings.

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.

CORPORATE, FINANCIAL AND OPERATIONAL HIGHLIGHTS

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 7)
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 14)

Operational highlights

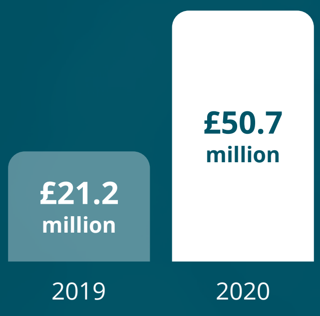
2020

- 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 wider portfolio of offerings

Revenue Increase



+139%

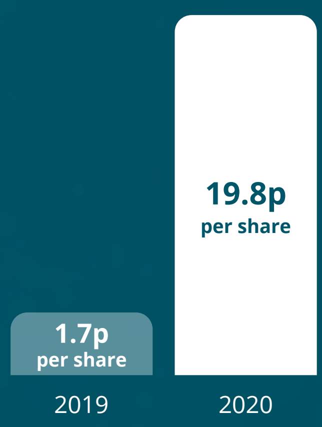
Gross Profit Increase

+135%

Adjusted EBITDA increase

+369%

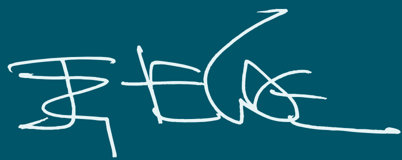
Adjusted EPS increase



+1094%

EXECUTIVE CHAIRMAN'S REVIEW

I am very pleased to report 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 which the Board now sees as a longer term potential given the ongoing need for testing. The Group remains strongly capitalised with no borrowings, which positions us well to deliver further growth in 2021 and beyond.



Jay LeCoque
Executive Chairman

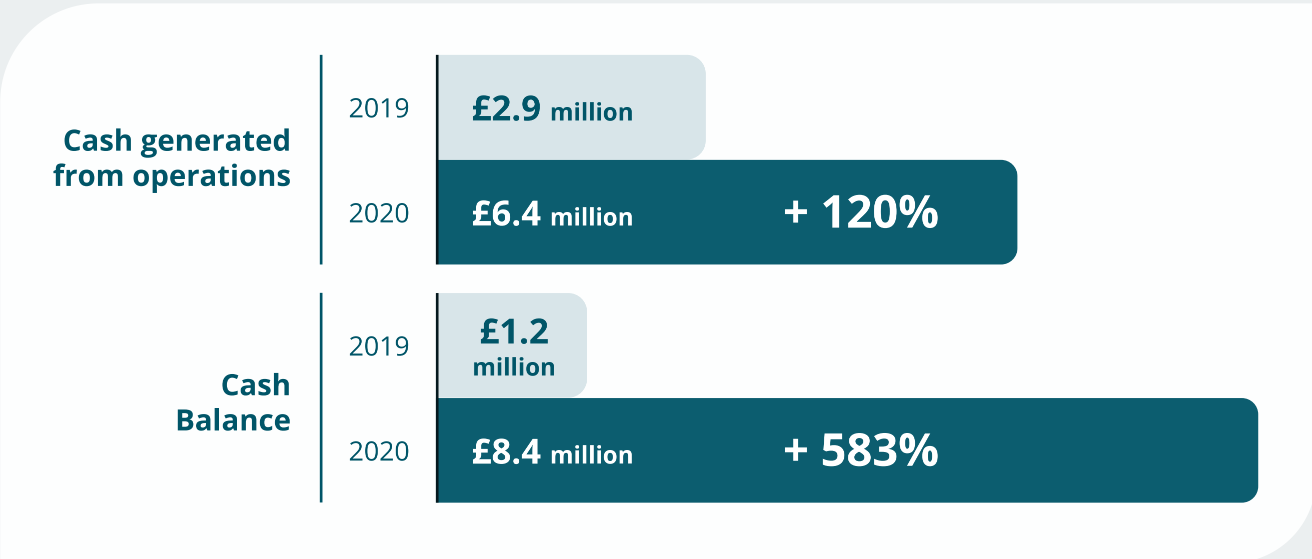
Summary of 2020

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 on pages 6 to 10.

The Board is very grateful for the significant hard work and dedication of the entire SourecBio 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:

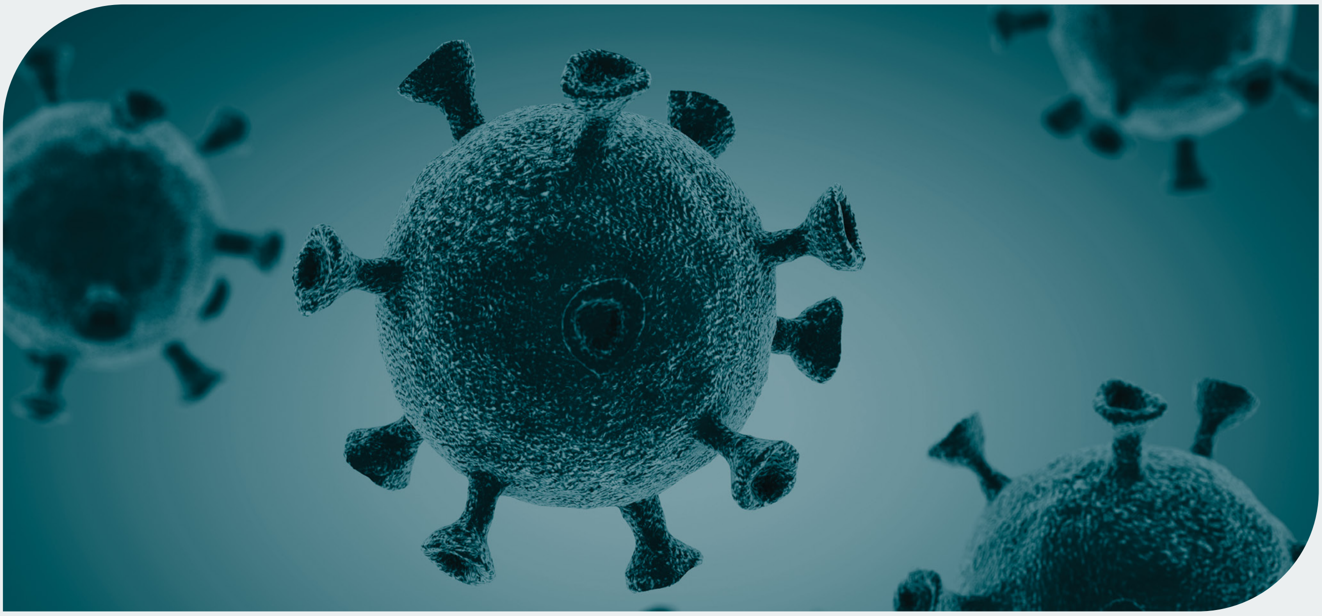
Infectious Disease Testing

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 the demand from 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 in the year (2019: £nil) and a gross profit of £13.7 million (2019: £nil), equating to a gross margin percentage in the year of 39.6%.



Healthcare Diagnostics

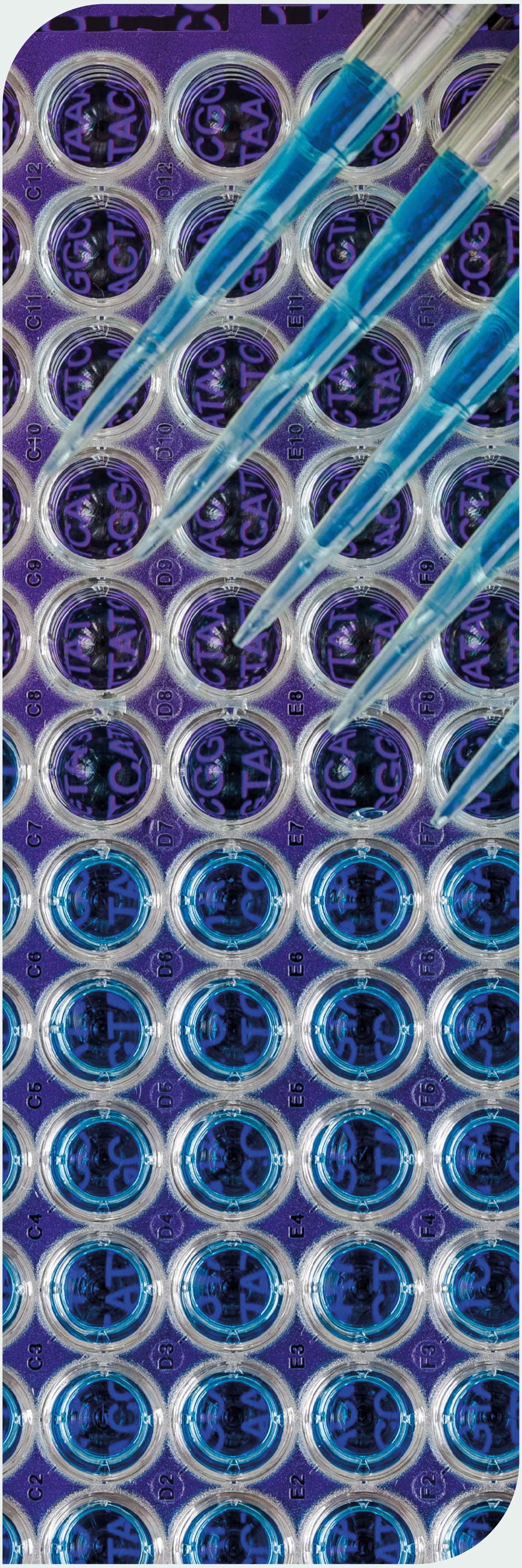
Healthcare Diagnostics provides a complete histopathology and clinical diagnostics service for the sectioning, processing, staining and analysis of tissue samples on self-prepared and pre-prepared slides. SourceBio operates ISO 15189 accredited medical laboratories and has built a significant network 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.

EXECUTIVE CHAIRMAN'S REVIEW (continued)



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 caused 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 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 wider 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 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 USA 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.

Jay LeCoque

Executive Chairman

12 April 2021

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.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Gross profit

Overall 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 material growth in adjusted EBITDA was the level of COVID-19 test revenues and gross profit secured in the year, which did not require 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 its 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 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 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 of £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.

Tony Ratcliffe
Chief Financial Officer
12 April 2021

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2020.

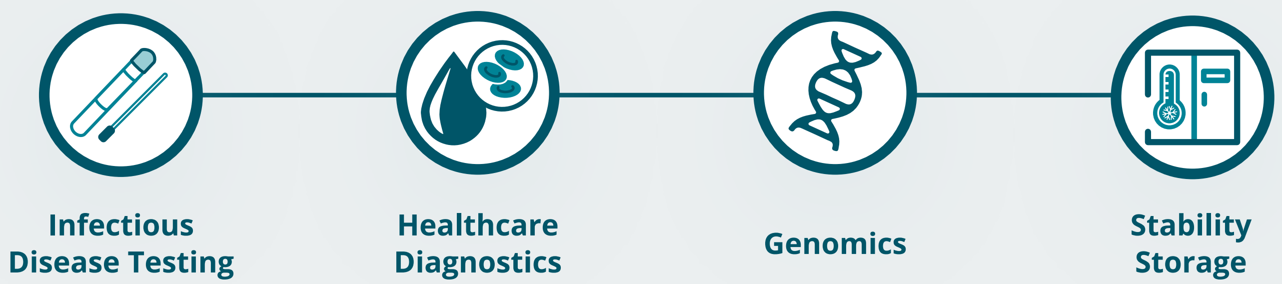
Review of the business

A review of the business is contained in the Executive Chairman's Review on pages 4 to 10 and the Chief Financial Officer's Review on pages 11 to 13.

Strategy and business model

SourceBio's strategy is to grow each of its four business units through a combination of organic and inorganic initiatives. Specifically, the Directors have identified clear strategic initiatives to generate shareholder value:

- to maximise COVID-19 Antigen RT-PCR testing capacity and to explore other testing technologies, offerings and routes to market based on demand;
- to target organic growth by capitalising on the market and growth opportunities identified in all three of the well-established business units, Healthcare Diagnostics, Genomics and Stability Storage;
- to selectively execute on attractive and relevant acquisition opportunities; and
- to increase its international presence through a combination of organic and acquisitive growth.



The following areas are some of the key drivers of potential organic growth:

Infectious Disease Testing

Whilst the focus in 2020 has been to scale up high volume COVID-19 Antigen RT-PCR testing from the Nottingham facility, the Group continues to respond to market demand by reviewing areas to expand its capabilities, offerings and routes to market. The COVID-19 landscape is rapidly evolving and the Group remains committed to exploring other complementary testing protocols as they become available which could provide incremental revenue generation.

Healthcare Diagnostics

Digital pathology

The Group has invested in a Philips Digital Pathology system. This is currently being validated prior to its anticipated rollout in 2021 and, once implemented, this technology will enable the electronic distribution of tissue sample images instead of the physical movement of tissue samples held on a slide. This would allow shorter turnaround times, allowing a potentially greater throughput of samples, as well as cost savings through reduced carriage costs. In addition, this may allow Artificial Intelligence to automate the reporting of the more routine sample cases.

Private healthcare providers

The Group's historic focus on Cellular Pathology services has primarily been driven by demand from the NHS. Whilst significant growth is ultimately expected from NHS customers due to recent delays in elective surgeries and the backlog of testing as a result of the COVID-19 pandemic, the Group sees a further opportunity with private healthcare providers who may potentially increase the outsourcing of their Cellular Pathology functions, which are currently largely performed in-house.

Expand oncology specialities

With an ageing population and cancer case diagnoses becoming increasingly complex, SourceBio has built a strong reputation with its complementary leading Reference Laboratory. The Group expects to continue building its portfolio of specialist diagnostics services, bringing further tests in-house. The Group works with leading research groups from pharma and global diagnostics companies to provide additional testing services for patients diagnosed with cancer, enabling clinicians to provide clear patient management programmes in quick turnaround times. This area of the market is expected to expand as demand grows, particularly as the backlog of elective surgeries unwinds after the COVID-19 related delays.

Genomics

NGS

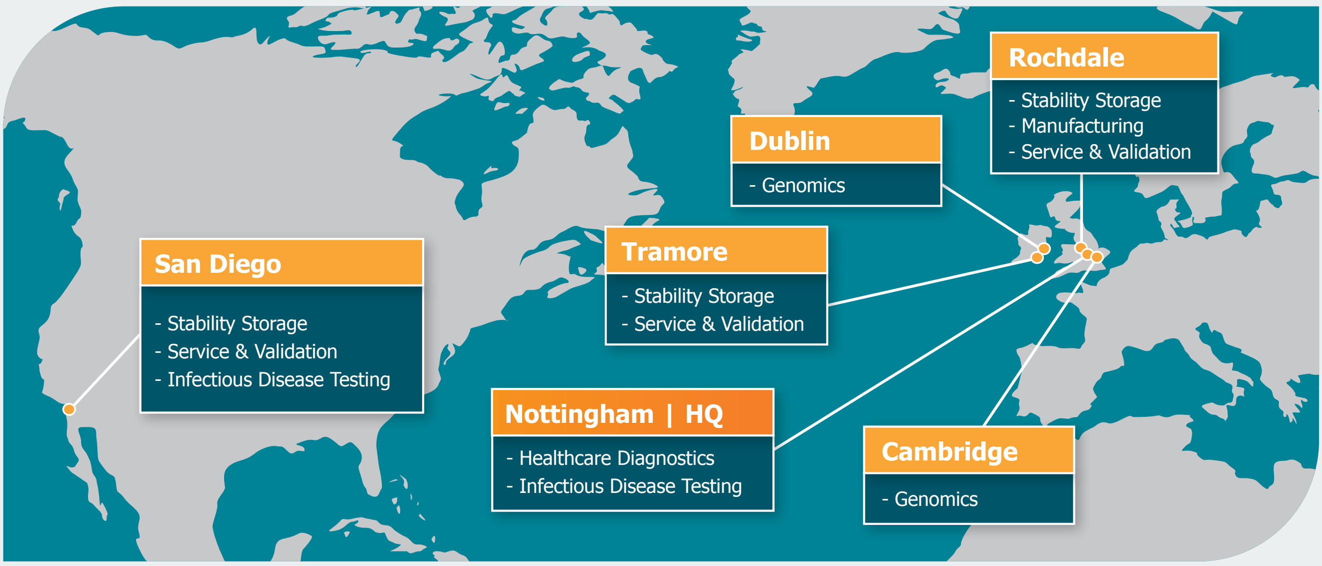
The Group recently invested in the latest Illumina technology for high throughput NGS. With the complementary Sanger Sequencing providing an entry point service to research groups, NGS represents an attractive upselling opportunity. The recent establishment of a Genomics base in Dublin, Ireland, provides SourceBio with another foothold, which offers potential cross-selling and up-selling opportunities.

Personalised medicine

There are strong synergies between the Healthcare Diagnostics business and services and the technology utilised in NGS in the Genomics business unit and the market is shifting to increase its focus on a personalised medicine approach to improving patient treatment whilst also looking to reduce costs borne by healthcare providers on wasted or unnecessary treatment decisions. There has been a significant increase in clinical diagnostics companies focusing on various high impact and common cancer types affecting the global population and the Group expects to be able to partner with clinical diagnostics test providers to provide bespoke services.

Expand presence in USA and Ireland

The Group has made recent investments to expand its new facility in San Diego, USA and Tramore, Ireland and to establish a further new facility in Dublin, Ireland, deliberately sited close to high concentration areas of customer catchment. As with the Group's Centre of Excellence in Cambridge, market penetration and customer service benefits are expected given the concentration of potential customers in those areas.



STRATEGIC REPORT (continued)

Stability Storage

Tramore, Ireland, and San Diego,USA, facility expansions

Following recent investment in both facilities, the Group now has additional Stability Storage capacity available for customers, which is expected to generate incremental revenues at modest additional cost.

Service capability in USA

The Group currently has no service headcount able to support the installed base of the Group's temperature and humidity-controlled equipment within the USA but the intention is to look to partner with an existing non-competitive service team to bring in a revenue stream at modest cost.

Upgrade of manufactured equipment

The Group has recently standardised a number of components to allow the manufacture and sale of a portfolio of products and added technology upgrades, for example the launch of iStorage, a mobile based app allowing customers to monitor the status of the environments containing their products remotely. The inclusion of this and similar enhancements offers the potential to add extra value to the customer proposition and to retrofit such enhancements to existing installations.

Acquisition model

As well as the focus on organic growth, SourceBio will consider suitable attractive acquisition opportunities in due course. Areas may include Cellular Pathology laboratories to give better access to healthcare in London, additional oncology specialities, further expansion within the USA into Cellular Pathology and Healthcare Diagnostics, and further Infectious Disease Testing services. In any event, a robust filtering process will be deployed to screen and analyse potential prospects.

Corporate social responsibility

The Board has responsibility for all matters relating to corporate social responsibility. The Directors recognise the importance of corporate social responsibility and aim to consider the interests of all stakeholders, including its shareholders, customers, suppliers and employees. The Board believes that encouraging an environment where employees act in an ethical and socially responsible way is critical to the Group's long-term success. The Group respects the laws of all the countries in which it operates.

People

The Group believes that attracting, motivating and rewarding employees is key to its long-term success. Policies established by the Group are in line with best practice and define that there should be no discrimination, but equal opportunities for all. The Group employs staff on the basis of their abilities and qualifications with no regard to their age, disability, gender, marriage or civil partnership, pregnancy or maternity, or their race, religion or sexual orientation. Promotion is on the basis of merit only. Applications for employment by disabled persons are always fully considered, bearing in mind the specific aptitudes of the applicant involved.

Values

The Group's values comprise:

- Integrity, to act with honesty and fairness;
- Energy, hard work and commitment;
- Recognition, to recognise individual and team efforts in achieving the Group's goals; and
- Quality, to deliver high quality results.

Involvement

The Group places great value on the involvement of its employees and they are regularly briefed on the Group's activities. The Group closely monitors staff attrition rates which it seeks to keep at low levels and aims to structure staff compensation levels at competitive rates in order to attract and retain high calibre personnel. Employees are regularly provided with information and progress updates about the Group, through monthly newsletters or through line management briefings.

Health and safety

The Group is committed to protecting the health and safety of its employees and works hard to build and maintain an effective and safe working environment and culture. The Group continually monitors its health and safety procedures to ensure they are adequate and reflect latest best practice.

Ethical, community and social policies

The Group is a laboratory services and products provider and, as such, operates in highly regulated ethical environments. The Board recognises that the Group has a duty to be a good corporate citizen and to respect the laws, and where appropriate the customs and culture of the territories in which it operates.

The Group has a clear anti-bribery policy and is committed to combatting slavery and human trafficking. Its Modern Slavery Act statement is published on its website.

Environment

The Directors consider that the nature of the Group's activities is not inherently detrimental to the environment. The Group is committed to minimising any effect on the environment caused by its operations and it actively seeks to make energy savings which are environmentally responsible and cost effective and to comply with applicable environmental legislation.

Greenhouse gas emissions

In order to determine the emissions of carbon dioxide in tonnes, the Group uses the GHG Protocol Corporate Accounting and Reporting Standard and reports on emissions arising from sources over which the Group has operational control. The disclosures below encompass:

Scope 1
Includes emissions from combustion of fuel and operation of facilities (excluding combustion from Group vehicles)

Scope 2
Includes emissions from purchased electricity for the Group's own use

Scope 3
The Group has not included Scope 3, emissions from vehicles and any purchased electricity and gas that are not included in Scope 2, as they are immaterial

	2020	**% relates to UK**	2019	% relates to UK
Scope 1 (tonnes)	**190.6**	**100%**	229.3	100%
Scope 2 (tonnes)	**788.6**	**73%**	681.7	75%
Total carbon footprint (tonnes of CO_2e)	**979.2**		911.0	
Intensity Ratio (tonnes of CO_2e per £ million of revenue)	**19.3**		42.9	
Revenue, in £ millions	**50.7**		21.2	

In order to express emissions in a quantifiable factor, an intensity ratio has been calculated which shows emissions reported per £ million of revenue generated by the Group. The Board recognised that whilst the Group's carbon footprint increased as it expanded its facilities, the increased revenue throughput drove a reduction in the intensity ratio to 19.3 (2019: 42.9).

Consumed energy

The kWh data in the table below are the quantities of energy from activities for which the Group is responsible worldwide and the annual quantity of energy consumed resulting from the purchase of electricity, gas and vehicle fuel by the Group for its own use and arising from those sources over which it has operational control. No significant new initiatives were introduced during the year.

	2020	**% relates to UK**	2019	% relates to UK
Scope 1	**171,300**	**100%**	196,600	100%
Scope 2	**3,115,400**	**73%**	2,934,200	75%
Total kWh	**3,286,700**		3,130,800	

STRATEGIC REPORT (continued)

Section 172 Statement

The Directors are required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote success of the Group for the benefit of its stakeholders as a whole and in doing so are required to have regard for the following:

- the likely long term consequences of any decision;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Group.

The Group effected a number of new policies and procedures during the year to safeguard employees during the COVID-19 pandemic whilst at the same time progressively building a new Infectious Disease Testing business unit.

The Group has adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from the QCA Code. The QCA Code is an appropriate code of conduct for the Group's size and stage of development.

The Executive Chairman's Review on pages 4 to 10 describes the Group's activities, strategy and future prospects, including the considerations for long-term decision making. The Corporate Social Responsibility Statement detailed earlier describes the Group's view and actions across a number of areas.

The Board considers its major stakeholders to be its employees, its suppliers, customers, and shareholders. When making decisions, the interests of these stakeholders is considered informally as part of the Board's discussions.

The Board has a good relationship with the Group's employees. The Board maintains constructive dialogue with employees through the Executive Directors. Appropriate remuneration schemes are maintained to align employees' objectives with those of the Group.

The Board ensures that the Group endeavours to maintain good relationships with its suppliers by contracting on their standard business terms and paying them promptly, within agreed and reasonable terms. The Group discusses arrangements and any issues with key suppliers regularly and where required audit their activities to ensure that materials are delivered effectively in a timely and cost-efficient manner. These principles ensure that the Group's and key significant suppliers' interests are aligned.

The Executive Directors and Executive Management team meet key customers and partners regularly and encourage a dialogue with them and commercial teams as appropriate. The Board receives regular reports on progress with significant customer relationships to ensure that their decision making takes into account the needs of the customer base.

The Board does not believe that the Group has a significant impact on the communities and environments within which it operates. The Board recognises that the Group has a duty to minimise harm to the environment and to contribute as far as is practicable to the local communities in which it operates.

The Board recognises the importance of maintaining high standards of business conduct with its customers, suppliers and with other business partners. The Group operates appropriate policies on business ethics and provides mechanisms for whistle blowing and complaints and operates in accordance with Section 172.

The Board endeavours to maintain good relationships with its shareholders and treat them equally. This is described in more detail in the Corporate Governance Statement on pages 30 to 35.

The Group completed a sale and leaseback transaction in October 2020 in parallel with the Company's Admission to AIM, raising £5 million of cash. The transaction is summarised in note 32. The Directors believe that this transaction was in all shareholders' interests as it allowed the Group to secure the same aggregate cash inflow of £40 million, including the proceeds of the share placing, but without the full dilutive effect of raising all £40 million through a share placing.

Risk management

The Board recognises that effective risk management is essential to the successful delivery of the Group's strategy. As the business continues to grow, the Board believes that it is important to further develop and enhance the risk management processes and control environment on an ongoing basis and ensure it remains fit for purpose. The Board is committed to continuing to identify and manage risks across the Group in a consistent and robust manner.

Overview of risk management approach

Each business area is responsible for identifying, assessing and managing the risks in their respective area. Risks are identified and assessed by all business areas on a periodic basis, and are measured against a defined set of criteria, considering likelihood of occurrence, and potential impact.

The Executive Board members have also conducted a strategic risk identification and assessment exercise to identify risks, including those that could impact the business model, future performance, solvency or liquidity. This risk information is combined with a consolidated view of the business area risks. The Board has the overall accountability for ensuring that risk is effectively managed across the Group and therefore ensuring that it is comfortable with the nature and extent of the principal risks faced in achieving its strategic objectives.

Principal risks and uncertainties

Set out below are the principal risks which we believe could materially affect the Group's ability to achieve its financial and operating objectives and control or mitigating activities adopted to manage them. The risks are not listed in order of significance.

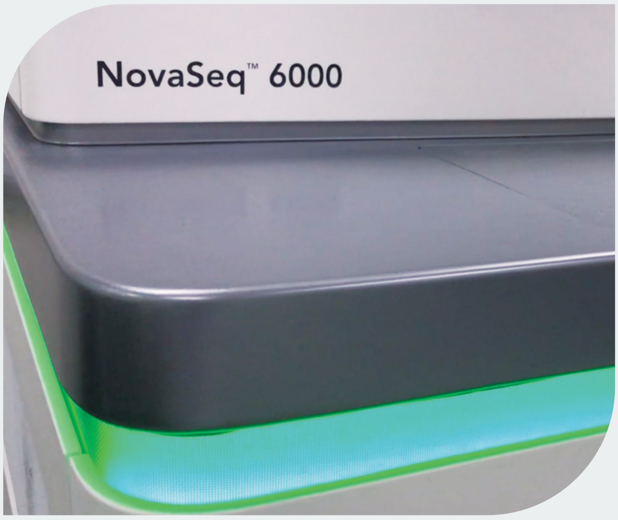
COVID-19 testing

A major commercial opportunity has arisen for the Group in the form of COVID-19 Antigen RT-PCR testing services but the size and duration of this opportunity is uncertain, being linked inter alia to timing of the successful mass roll-out of COVID-19 vaccines, and/or alternative testing solutions being brought to the market by competitors in the intervening period, as well as the general demand for testing services. These events could result, and indeed are ultimately expected to result, in a drop in demand for the Group's Infectious Disease Testing services. This could therefore have an adverse impact on the Group's business, prospects, results of operations and financial condition.

The Group relies on its suppliers being in a position to keep pace with the increased levels of testing being carried out. A failure in the global supply chain could have an adverse impact on the Group's business, prospects, results of operations and financial condition.

In addition, the COVID-19 testing services require investment and could distract management focus from other parts of the Group's business which could also have an adverse effect on the Group's business, prospects, results of operations and financial condition.

There is also a risk that further prolongation of COVID-19 (and a continued postponement of non-urgent appointments and surgeries) will result in the volume of pathology testing not returning to pre-COVID-19 levels, which would result in a reduction in revenues for the Group's established business units.



STRATEGIC REPORT (continued)

Specific risks relating to terms of key contracts

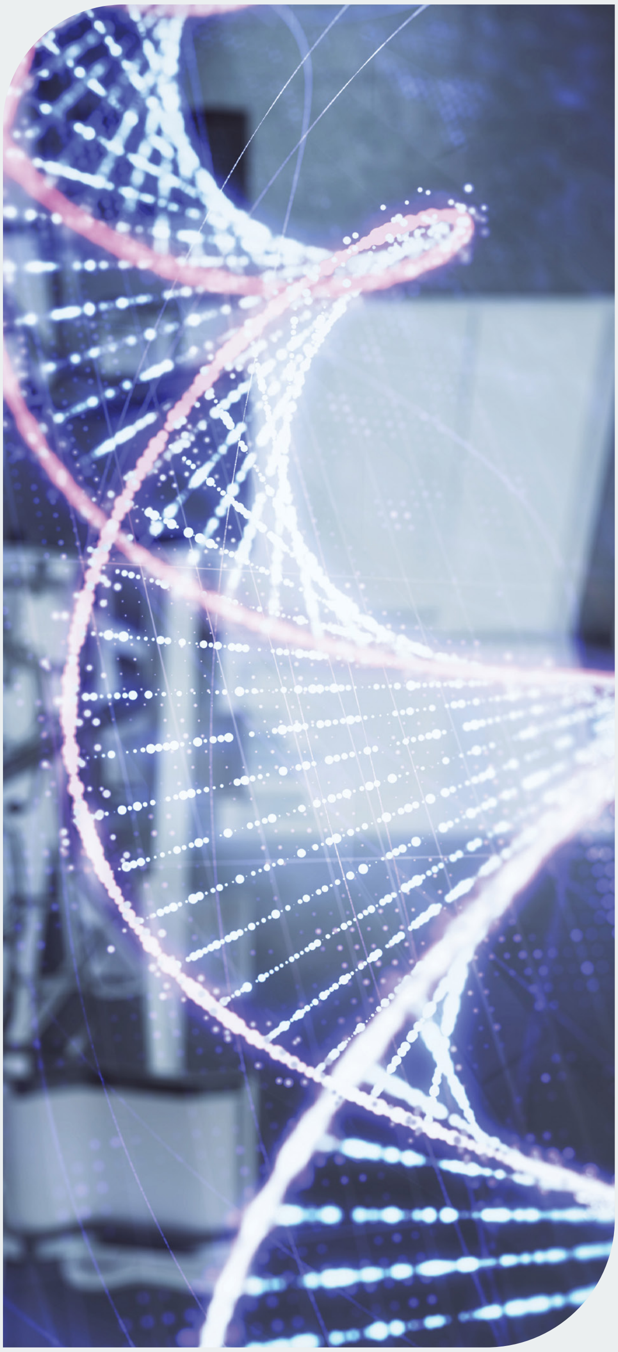
The Group currently has an agreement with Spire Healthcare Limited ("Spire") for the provision of COVID-19 Antigen RT-PCR testing services. The terms of this key contract expire in June 2021 and whilst this contract has been renewed or extended historically, there is no guarantee that it will be extended after this date. As this contract is currently a key contract for the Group, the non-extension of the contract could have an adverse impact on the Group's business, prospects, results of operations and financial condition.

Contractual arrangements with pathologists

Within the Group's Healthcare Diagnostics business unit, the Group uses a network of self-employed specialist pathologists, contracting with the Group as contractors or consultants. The Directors believe that the self-employed, contractor status of these pathologists is based not only on the contractual structure of these arrangements but also on the way in which the arrangements operate in practice. Notwithstanding the Directors' belief as to the proper classification of these individuals as contractors, there is a risk however that these pathologists could be deemed by tax and other governmental authorities in the relevant jurisdictions to be employees of the relevant member of the Group instead of contractors or consultants. This would result in additional future costs to the Group as well as potential historical liabilities for the Group in terms of PAYE and national insurance contributions (or the equivalent in any relevant jurisdiction) and associated interest and penalty charges. This would be likely to have an adverse effect on the Group's financial performance and position and more generally on the Group's business model. If some of the Group's pathologists are deemed to be workers or employees they would be entitled to additional rights including, but not limited to, paid annual leave and sick pay, overtime pay, employee benefits, rights to claim for unfair dismissal, unemployment insurance and workers compensation. Furthermore, if there is a change in employment or tax law which means that the nature of the relationship which exists between the Group and its pathologists is not one of self-employment, this would be likely to have an adverse impact on the Group's business, prospects, results of operations and financial condition and more generally on the business model of the Healthcare Diagnostics business unit.

Certainty of contracts and pipeline

Although the Group has visibility over a proportion of its revenues, in particular in relation to the signed up contracted work of the well-established business units within the core business of the Group, such contracted work may fail to be awarded or can be subject to cancellations and delays. Any cancellations, delays, material amendments and uncertainty around the Group's contracts could have an adverse impact on the Group's business, prospects, results of operations and financial condition. None of the contracts relating to COVID-19 testing or cellular pathology testing have minimum volumes.



Risks specific to the Group's Healthcare Diagnostics and Infectious Disease Testing business units

The Group's diagnostic activities for public healthcare applications are dependent upon the ability to maintain ISO 15189 accredited status. Whilst operations could still continue without this accreditation, it is the accreditation that provides the Group with significant commercial and operational advantages within the competitive landscape and is a key factor for clients to work with the Group. The Group has implemented clear policies and procedures throughout its business aimed at ensuring compliance with ISO 15189 requirements as well as other quality standards and the UK National External Quality Assessment Service scheme. Whilst responsibility for compliance with such policies and procedures rests with operational management, the Group also employs a Quality Manager who oversees compliance. The Group is also subject to regular audits and inspections from the regulatory bodies responsible for such accreditations. The Group's ISO 15189 accreditation was renewed in March 2018 following a satisfactory audit inspection. Although the Group currently has ISO 15189 accredited status there is no guarantee that the Group will have in the future or indeed retain its accreditation of any other quality standards or that quality standards advisory boards will not increase the level of standards for compliance potentially resulting in the loss of the Group's accreditation or in the Group incurring additional costs in maintaining such accreditations.

Medical data handled by the Group could contain sensitive details extracted from patients' medical records

The General Data Protection Regulation ("GDPR") came into force on 25 May 2018 and introduced a number of more onerous obligations on data controllers and rights for data subjects, as well as new and increased fines and penalties for breaches of the data privacy obligations of data controllers.

Holding sensitive customer data poses a risk for the Group (including negative publicity associated with, for instance, a breach of customer confidentiality or unauthorised disclosure of personal data). Whilst the Group has procedures to minimise the occurrence of such events, any associated negative publicity or threat of litigation against the Group could have a material adverse effect on the Group's performance, financial condition or business prospects.

In addition, if any personal data (whether relating to patients or other data subjects such as employees) were to be stolen or leaked to a third-party, then there is the potential for consequences for both the data subject and the Group. The penalties for loss of personal data are extremely high reflecting the seriousness of such a breach. For example, penalties for non-compliance with GDPR include fines of up to 4% of annual global turnover or €20 million, whichever is greater. Other corrective powers and sanctions include imposing a temporary or permanent ban on data processing, ordering the rectification, restriction or erasure of data, and suspending data transfers to third parties or other countries. If the Group were to experience a data breach or a loss of personal data, then any sanctions imposed, as well as associated loss in customer confidence and reputational damage could have an adverse impact on the Group's business, prospects, results of operations and financial condition.

Further, the recent Court of Justice of the European Union judgement in Schrems II has implications for international data transfers to countries outside of the EEA. Companies can no longer rely upon (i) the US Privacy Shield, (ii) standard contractual clauses or (iii) Binding Corporate Rules to ensure compliance with GDPR without specific consideration being given to a country's domestic laws and whether those supersede an individual's data rights under GDPR.

Reputational risk arising from a number of factors, including failure to deal appropriately with legal and regulatory requirements, ethical practices, fraud, privacy, record-keeping, and other trading practices, as well as market risks inherent in the Group's business

The Group's reputation is central to its future success in terms of the services and products it provides, the way in which it conducts its business and the financial results which it achieves. Issues that give rise to reputational risk include, but are not limited to, failure (or allegations or perceptions of failure) to deal appropriately with legal and regulatory requirements, ethical practices in relation to access to and use of patient data and the commercialisation of opportunities arising from its access to and use of patient data, money-laundering, fraud prevention, privacy, record-keeping, sales and trading practices and the credit, liquidity and market risks inherent in the Group's business.

If the Group fails, or appears or is alleged to fail, to deal with various issues that give rise to reputational risk, this could lead to adverse publicity, press attention and Government (including Parliamentary) and regulatory scrutiny, which could materially harm its business prospects. Also, failure to meet the expectations of the press and the general public, as well as its customers, suppliers, employees, shareholders and other business partners, may have an adverse impact on the Group's business, prospects, results of operations and financial condition.

The Group's performance is linked to political attitudes and decisions affecting healthcare

There are numerous factors which may affect the success of the Group's business which are beyond its control, including changes in political conditions and attitudes towards the funding of healthcare. In many countries, healthcare is centrally funded by governments, such as the funding of the NHS by the UK Government, and if there is a change in government, there may be a shift in government policy in relation to the funding of healthcare. For example, if there is a change in government in the UK, it is likely that a new government would alter the amount of funding available for healthcare and/or the allocation of resources available to the NHS, including the potential for a reduction in the amount of services outsourced to the private sector. These outcomes may result in some of the Group's key contracts being terminated, not renewed or negatively impacted.

There is no guarantee that changes, if any, in funding policies for healthcare or shifts in political attitudes to healthcare in countries in which the Group currently operates, or may operate in the future, would not materially adversely affect the Group's business. The occurrence of such changes cannot be accurately predicted and could have an adverse impact on the Group's business, prospects, results of operations and financial condition.

Competition

The Group's current and potential competitors have established, or may establish, financial and strategic relationships amongst themselves or with existing or potential customers or other third parties to increase the ability of their products to address customer needs. Accordingly, it is possible that new competitors or alliances amongst competitors could emerge and acquire significant market share. Existing and/or increased competition could, therefore, adversely affect the Group's market share and/or force the Group to reduce the price of its products, which could have an adverse impact on the Group's business, prospects, results of operations and financial condition.

Management of growth

The Group's growth plans may place a significant strain on its management and operational, financial and personnel resource. Further, the ability of the Group to implement its strategy requires effective planning and management control systems. Therefore, the Group's future growth and prospects will depend on its ability to manage this growth. The value of an investment in the Company is dependent upon the Group achieving the aims set out in this document. There can be no guarantee that the Group will achieve or manage the level of success that the Board expects.

Multi-jurisdictional operations and regulation

The Group operates and intends to continue to operate in numerous jurisdictions, which have different regulatory, fiscal and legal environments that could change in the future and could impact how the Group conducts its business in these jurisdictions. The Group's operations will be reliant on it identifying and adhering to the regulatory requirements in those jurisdictions. There can be no guarantee that the Group will always be able to identify such requirements or put in place the necessary licences and/or approvals. If a member of the Group was found not to have the appropriate licences and/or approvals or to have violated the terms of such licence or any local laws and/or regulations, the Group could incur a fine (the amount dependent on the nature of the violation), the relevant member of the Group could be subject to financial liability, required to change its business practices or forced to suspend or terminate operations in the relevant territory. Alternatively, a member of the Group could be required to obtain new or different licences or regulatory approvals. Such eventualities could result in costs or other consequences that could have an adverse impact on the Group's business, prospects, results of operations and financial condition.

Cyber-attacks and other risks relating to data security

The Group relies on information technology systems to conduct its operations. Because of this, the Group and its software are at risk from cyber-attacks. Cyber-attacks can result from deliberate attacks or unintentional events and may include (but are not limited to) malicious third parties gaining unauthorised access to the Group's software for the purpose of misappropriating financial assets, intellectual property or sensitive information (such as patient data), corrupting data, or causing operational disruption.

Whilst the Directors consider that the Group has taken appropriate steps to protect its systems, there can be no assurance that its efforts will prevent service interruptions or security breaches in its systems or the unauthorised or inadvertent wrongful access or disclosure of confidential information that could have an adverse impact on the Group's business, prospects, results of operations and financial condition or result in the loss, dissemination, or misuse of critical or sensitive information. If the Group suffers from a cyber-attack, whether by a third-party or an insider, it may incur significant costs, including liability for stolen assets or information, as well as repairing any damage caused to the Group's network infrastructure and systems. The Group may also suffer reputational damage and loss of investor confidence. If the Group suffers a cyber-attack, this could expose the Group to potential financial and reputational harm.

Highly skilled management and personnel

The Group depends to a significant degree on the continued services of the Directors, its Executive Management team as well as all other staff. Their knowledge of both the market and their skills and experience are crucial elements to the success of the Group's business. The loss of significant numbers of personnel or the Group's inability to attract, develop and retain additional qualified management and other personnel could have an adverse impact on the Group's business, prospects, results of operations and financial condition.

STRATEGIC REPORT (continued)

IT infrastructure

Due to the nature of its operations, the Group is highly dependent on the effective operation of its IT systems and infrastructure. Any major systems failure, including failures relating to the Group's network, software, laboratory information management system ("LIMS"), internet or hardware could have a material adverse effect on the Group's ability to fulfil its obligations to customers and to maintain the platform, in addition to harming customer relationships and diminishing the Group's goodwill. Such an event could therefore have an adverse impact on the Group's business, prospects, results of operations and financial condition.

For practical reasons, the Group may continue to house some or all of its own computer installations in dedicated third-party hosting facilities or employ preconfigured computer hardware from third-party providers. These computing resources by their nature will include electronic records containing confidential information and other operational information. Any failure in the security systems employed to protect such information or any other exposure of the electronic information contained in the Group's computing resources could enable others to produce competing products and/or services, use the Group's proprietary technology and/or adversely affect its business position.

Reliance on a limited number of key suppliers

The Group's reliance on its suppliers being in a position to keep pace with the increasing levels of demand is not specific to the rapidly growing Infectious Disease Testing business unit. The potential for delays and bottlenecks at key suppliers could delay the installation of equipment. A lack of supplier competition could potentially also raise the Group's input costs. There is no guarantee that the suppliers of key components and parts will continue to supply these components and parts or even continue trading which may adversely affect the Group's ability to supply customers with its products and services and could potentially lead to contractual penalties and/or the loss of customers. As a consequence, this could have an adverse impact on the Group's business, prospects, results of operations and financial condition.

Regulatory risk

The Group's products and services are regulated by national and regional medical regulations. Additionally, the Group is required to comply with ongoing regulatory requirements such as to maintain a quality system pursuant to these regulations which subjects it to periodic inspections, scheduled and unscheduled. Failure to pass an inspection, recall or the loss of clearance to market a particular service or product, could have an immediate and negative impact on the Group's revenues, prospects and its share price. The Group's prospects for the foreseeable future will depend heavily on its ability to successfully obtain regulatory approval necessary for it to be able to provide its products and services.

The applicable rules, regulations and guidance in the various countries also change frequently and are subject to interpretation. Change of rules applicable to a new product or service or as related to a currently marketed product or service could mean that the Group needs to conduct additional studies and re-submit products to the regulatory authorities for re-examination/re-assessment, which may impact the Group's ability to generate revenue in certain markets. Furthermore, if any examination/assessment is not favourable, the Group may not be able to continue to market and sell the product or service.

There is a risk that the Group's employees, consultants and commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and/or applicable law. It is not always possible to identify and deter misconduct by employees, independent contractors, consultants, suppliers, commercial partners and vendors, and the precautions the Group takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses, or in protecting the Group from governmental investigations or other actions or claims stemming from a failure to be in compliance with such laws or regulations. If any such actions are initiated against the Group, and the Group is not successful in defending itself or asserting its rights, those actions could have an adverse impact on the Group's business, prospects, results of operations and financial condition, including the imposition of significant fines or other sanctions, and its reputation.

The Strategic Report was approved by the Board on 12 April 2021 and signed on its behalf by:

Jay LeCoque

Executive Chairman

THE BOARD OF DIRECTORS

The Board of Directors comprises two Executive Directors and four Non-Executive Directors, as below:

Executive Directors

Jay LeCoque

Executive Chairman, aged 58

Jay is the Executive Chairman of SourceBio. He has over 20 years of senior management experience mainly focused on listed UK life sciences companies. Jay joined the Group in 2016 initially as Non-Executive Chairman and was appointed Executive Chairman in 2017. Jay was also an Executive Director of Bioquell plc from 2016 until its acquisition by ECOLAB in 2019. Prior to that, he was CEO of Celsis International plc from 2000 to 2009, and remained CEO following a public to private transaction in 2009 to form Celsis International Ltd until its acquisition in 2015. Jay gained an MBA from The Kellogg School of Management.

Tony Ratcliffe

Chief Financial Officer and Company Secretary, aged 57

Tony joined SourceBio on Admission in October 2020. Tony has over 20 years senior financial management experience with fast growing technology companies in a variety of sectors. His healthcare and biotechnology experience includes Celsis International plc, Gemini Genomics plc (where he led their Nasdaq IPO) and as founding CFO of Lab 21. In other technology businesses, Tony led significant growth through the execution of six acquisitions whilst CFO of AIM quoted Brady plc and as its first Finance Director, he helped to significantly grow i2, a law enforcement software house. Tony qualified as a Chartered Accountant with KPMG and has an MBA from Heriot-Watt University, Edinburgh.

Non-Executive Directors

Sir Ian Carruthers OBE

Senior Independent Non-Executive Director, aged 70

Sir Ian joined SourceBio as Senior Independent Non-Executive Director in 2019. Sir Ian holds a number of chair and non-executive board and advisory roles in the public and private sectors. He was previously Chief Executive of NHS South of England, comprising three health bodies: South West, South Central and South East and his career in the National Health Services spans over 40 years. He was awarded the Order of the British Empire for services to health in 1997 and a Knighthood in 2003 for services to the NHS and in 2006 he took over as Interim Chief Executive of NHS England, amongst the largest organisations in the world, with over 1.3 million employees and a budget in excess of £100 billion. He has been the lead author on several papers on reviewing and improving the NHS and is seen as an international expert on healthcare systems and service delivery. Sir Ian is currently Chancellor of the University of the West of England, and was formerly Chair of Healthcare UK, Chair of the Innovation Health and Wealth Implementation Board, Co-Chair of the Prime Minister's Challenge on Dementia and Non-Executive Director of Bioquell plc.

Simon Constantine

Independent Non-Executive Director, aged 62

Simon joined SourceBio on Admission in October 2020. Simon is a Chartered Accountant and has extensive business management and acquisition experience at board level, particularly in the healthcare and life sciences sectors. He co-led the management buy-in and subsequent trade sale of Life Sciences International plc, where he led the acquisition of 18 companies in 10 years. He has served as a non-executive director of a number of venture capital and private equity-backed businesses as well as having had more than 30 years' experience as a director of publicly listed companies, including at Bioquell plc. Simon is Chairman of Northern Venture Trust Plc and Capstone Foster Care Limited, another buy and build of 16 businesses over 13 years.

Christopher Mills

Non-Executive Director, aged 68

Christopher is a director and the sole shareholder of Harwood Capital Management Limited, which is the designated corporate member and the controller of Harwood Capital. He formed the Harwood Capital Management Group in 2011 on his acquisition of Harwood Capital from the J O Hambro Capital Management Group. Christopher is also the CEO and director of North Atlantic Smaller Companies Trust plc, a UK listed investment trust and a director and investment manager of Oryx. He has a long and successful investing track record and is a non-executive director of a number of both public and private companies. Prior to joining the J O Hambro Capital Management Group (which he co-founded in 1993), he worked from 1975 to 1993 for Samuel Montagu Limited, Montagu Investment Management Limited and its successor company, Invesco MIM, latterly as Head of North American Investments and Head of North American Venture Capital.

Marco Fumagalli

Non-Executive Director, aged 50

Marco is a Founding Partner of Continental, having co-founded the business in 2013, following a successful career in private equity spanning over 15 years. He worked from 1996 to 2010 at 3i SgR S.p.A. (part of the 3i Group), where he became a Partner and Managing Director before serving as Chief Executive Officer from 2005, following which he joined Leponte S.A., as Head of Private Equity. He has also held a number of directorships of both public and private companies. He is currently non-executive director of CIP Merchant Capital plc, an AIM listed investment company which he co-founded in 2017. Marco holds a Business Administration Degree from Bocconi University in Milan.

CORPORATE GOVERNANCE STATEMENT

Compliance

The Board of Directors as a whole is collectively accountable to the Company's shareholders for good corporate governance and recognises the importance of sound corporate governance commensurate with the size and nature of the Group and the interests of all its shareholders. The Quoted Companies Alliance has published the QCA Code, a set of corporate governance guidelines, which include a code of best practice, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The Board has adopted the QCA Code with effect from the date of Admission. Details of the Code can be obtained from the Quoted Companies Alliance's website (www.theqca.com) and fuller text in relation to the Company's compliance can be found in the Corporate Governance Statement on the Company's website (www.sourcebiointernational.com).

Set out below describes how the Group, as at 31 December 2020, sought to address the principles underlying the Code.

Principle 1

Establish a strategy and business model promoting long-term value for shareholders

As described in the Strategic Report, the Board is responsible to shareholders for setting the Group's strategy by maintaining the policy and decision-making process around which the strategy is implemented, ensuring that necessary financial and human resources are in place to meet strategic aims, monitoring performance against key financial and non-financial indicators; providing leadership whilst maintaining the controls for managing risk; overseeing the system of risk management; and setting values and standards in corporate governance matters. The Group's strategy is to grow each of the four business units (Infectious Disease Testing, Healthcare Diagnostics, Genomics and Stability Storage) by a combination of organic and inorganic initiatives.

Principle 2

Seek to understand and meet shareholder needs and expectations

The Board endeavours to engage in clear and consistent dialogue with both existing and potential shareholders to understand their needs and expectations and to ensure that the Group's strategy, business model and progress are clearly understood. The Board also maintains regular contact with its advisors to ensure that the Board develops an understanding of the views of the investor community. The Board communicates with shareholders through a number of means. Unpublished price sensitive information is disclosed in as timely a manner as possible and within regulatory requirements. The Board views the Company's Annual General Meeting as an important forum for communication between the Company and its shareholders and encourages shareholders to express their views on the Company's business activities and performance. Regular meetings will be held between the Executive Chairman, Chief Financial Officer and institutional investors and analysts to ensure that the Group's strategy, financials and business developments are communicated effectively.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises the importance of corporate social responsibility and seeks to take account of the interests and feedback from all the Group's stakeholders, including its investors, customers, suppliers, partners and employees when operating the Group's business. The Board believes that fostering an environment in which employees act in an ethical and socially responsible fashion is critical to its long-term success. The Group seeks to ensure continued engagement with its employees, clients, suppliers, shareholders and the wider public via regular discussions, having processes in place designed to ensure regular dialogue between employees and senior management, and by technological means, using the functionality of social media platforms and software to gain insights and feedback from its clients, suppliers, partners and the public.

Principle 4

Embed effective risk management, considering both opportunities and threats throughout the organisation

The Group recognises that risk is inherent in all of its business activities and is an important part of the Board's formulation of strategy. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Board is assisted in this matter by the Audit Committee. The Board routinely monitors risks that could materially and adversely affect the Group's ability to achieve its strategic goals, financial condition and results of operations. The effectiveness and adequacy of mitigating controls are assessed and if additional controls are required, these will be identified and responsibilities assigned. The Board is supported by senior management who collectively play a key role in risk management. Each year the Company's Annual Report and Accounts will contain a section setting out what the Board considers to be the most significant risks faced by the Group. The Group maintains commercial insurance at a level it believes is appropriate against certain risks commonly insured in the industry in which the Group operates.

Principle 5

Maintain the Board as a well-functioning, balanced team led by the Chairman

The Board comprises six Directors, of whom Jay LeCoque and Tony Ratcliffe are Executive Directors and Sir Ian Carruthers, Simon Constantine, Christopher Mills and Marco Fumagalli are Non-Executive Directors. Sir Ian Carruthers and Simon Constantine are independent Non-Executive Directors. Christopher Mills and Marco Fumagalli have been appointed as the Board representatives of Harwood and Continental respectively, pursuant to the Relationship Agreements. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties, being a minimum of two days per month. The Board is responsible for the management of the Group's business (Including formulating, reviewing and approving the Group's strategy, financial activities and operating performance), for which purpose the Directors may exercise all the powers of the Group.

The Directors may delegate such powers to any person or Committee as they think fit and those powers may be sub-delegated with the authority of the Directors. The Directors may revoke any delegation of powers. The Board acknowledges that, in having an Executive Chairman (effectively combining the roles of Chairman and CEO), best practice as stated in the QCA Code is not being followed. In light of the Group's current size and development stage, the Board considers however that the current arrangements are appropriate but will keep this under regular review. The Board has established Audit, Remuneration and Nomination committees with formally delegated duties and responsibilities. The Executive Chairman does not sit on any of these Committees and each Committee is currently comprised entirely of Non-Executive Directors.

Principle 6

Ensure that between them Directors have the necessary up-to-date experience, skills and capabilities

The Directors come from a range of backgrounds and have a wide variety of experience and traits which means that the Board as a whole is well balanced and has the skills and other attributes necessary to deliver the Company's strategy. Brief details of the Directors' backgrounds and experience are available on pages 28-29. The Nomination Committee is responsible for continuing to evaluate the balance of skills, knowledge and experience and the size, structure and composition of the Board and its committees, retirements and appointments of additional and replacement Directors and Committee members and making appropriate recommendations to the Board on such matters. The Company Secretary will provide Directors with updates on key developments relating to the Company, the sectors in which the Group operates, and legal and governance matters (including advice from the Company's broker, lawyers and advisors) and will also support the Executive Chairman and the Nomination Committee in identifying and addressing the training and development needs of Directors.

Principle 7

Evaluate Board performance based on clear and relevant objectives seeking continuous improvement

The Company's process for evaluating the performance of the Board, its Committees and individual Directors, will primarily be undertaken by the Nomination Committee. The Nomination Committee will regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations and review the results of any Board performance evaluation process that relate to the composition of the Board. The Nomination Committee shall also make recommendations to the Board concerning plans for succession for both Executive and Non-Executive Directors and in particular for the current key role of Executive Chairman (and specifically whether that role should be split between a Non-Executive Chairman and a CEO).

Principle 8

Promote a corporate culture that is based on ethical values and behaviours

The Company is committed to ensuring that the Group operates according to the highest ethical standards and the Board has primary responsibility for achieving this. The Directors believe that the main determinant of whether a business behaves ethically and with integrity is the quality of its people and the Board, together with the Group's HR function, takes great care to ensure that all individuals employed by the Group demonstrate the required high levels of integrity. The Group has also adopted formal policies addressing, inter alia, bribery and corruption, the use of social media and dealing in the Company's shares.

The Group strives to be a good corporate citizen and respects the laws of the countries in which it operates. Each year the Company's Annual Report and Accounts will contain a Corporate and Social Responsibility section which will address its people, values, diversity, employee welfare and involvement, employment, training, career development and promotion of disabled persons, health and safety, ethical and social policies, human rights, product development, impact on the environment, greenhouse gas emission and slavery and human trafficking.

Principle 9

Maintain governance structure and processes that are fit for purpose and support good decision-making by the Board

The Board is collectively responsible for the long-term success of the Company and provides leadership to the Company within a framework of effective controls, checks and balances. The Executive Management team, led by the Executive Chairman, is responsible for the day to day running of the business, with key decisions (including those considered to directly relate to implementation of the Group's strategy) being reserved for the Board. In conjunction with senior management, the Executive Chairman is responsible for the execution of strategy approved by the Board and the implementation of Board decisions. The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee. Relevant matters are considered by each Committee and recommendations are taken to the full Board. Further details of each Committee are detailed below.

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board recognises that it is accountable to shareholders for the performance and activities of the Group and to this end is committed to maintaining good communication and having constructive dialogue with its shareholders. The Board communicates with shareholders in a number of ways, including via the Company's Annual Report and Accounts, its interim and full-year results announcements, trading updates (where required or appropriate), the Company's Annual General Meetings and the investor relations section of the Company's website. More details of how the Company communicates with shareholders is explained below.

The Board recognises that the Company is not fully compliant with Principle 5 of the QCA Code which requires the Company to have an appropriate balance between Executive and Non-Executive Directors and recommends that the Chairman and CEO positions are separate roles. At present the Company has two Independent Non-Executive Directors, namely Sir Ian Carruthers and Simon Constantine, and Jay LeCoque is Executive Chairman. The Board believes that the balance between the Executive and Non-Executive Directors is sufficient to ensure good corporate governance with a balanced approach to decisions at this time. However, it also recognises that the roles of Chairman and CEO are currently both carried out by the Executive Chairman. The Board will be mindful of this as the Company grows and is in a position to appoint additional Directors. The Nomination Committee of the Board is specifically tasked in its terms of reference with keeping this matter under regular review. Other than in these areas, the Company is fully compliant with the QCA Code.

CORPORATE GOVERNANCE STATEMENT (continued)

Board attendance

The number of full scheduled Board and Committee meetings and the attendance records of each Director attending meetings since the date of Admission to the year-end date is indicated below:

	Board meetings	Audit Committee meetings
Number of meetings attended:	2/2	1/1
Jay LeCoque[1]	2/2	1/1
Tony Ratcliffe[1]	2/2	1/1
Sir Ian Carruthers	2/2	1/1
Simon Constantine	2/2	1/1
Marco Fumagalli[1]	2/2	1/1
Christopher Mills	1/2	1/1

1 Jay LeCoque, Marco Fumagalli and Tony Ratcliffe attended the meeting of the Audit Committee by invitation with Tony Ratcliffe also attending as Secretary to the Audit Committee

There were no meetings of the Remuneration or Nomination Committees during the year.

Committees of the Board

Further details of the Board Committees are described below:

Audit Committee

The work of the Audit Committee is addressed in more detail on pages 42 to 45 by its Chairman, Simon Constantine.

Remuneration Committee

The work of the Remuneration Committee is addressed in more detail on pages 46 to 50 by its Chairman, Sir Ian Carruthers.

Nomination Committee

The Nomination Committee plans to meet twice a year, or more as the need arises.

The Nomination Committee recommends the appointment of new Directors to the Board and makes recommendations on Board composition and balance.

The terms of reference of the Nomination Committee have been documented and agreed by the Board of Directors and are available from the Company Secretary. The key terms are as follows:

- to review and evaluate the Board structure, size and composition and to make recommendations to the Board with regard to any changes that are deemed necessary;
- to consider succession planning for Directors, in particular the Executive Chairman and other senior management and membership of the Audit and Remuneration Committees; and
- to prepare a description of the roles and capabilities required for a particular appointment and to be responsible for identifying and nominating candidates for approval of the Board to fill Board vacancies.

The Nomination Committee is made up of independent Non-Executive Directors and comprises Sir Ian Carruthers and Simon Constantine, with Sir Ian Carruthers as Chairman. Between the date of Admission and the year-end date, the Committee has not met.

Executive Management team

The Executive Management team comprises the two Executive Directors, the Chief Operating Officer together with a number of functional heads. The team is chaired by Jay LeCoque and normally meets every Monday plus a longer meeting once each month to discuss the performance of the Group's business units, its commercial and financial prospects and any other issues as they arise in the course of the Group's activities.

The Board has delegated the following responsibilities to the Executive Management team:

- the development and recommendation of strategic and operational plans to be presented for consideration by the Board that reflect the objectives and priorities established by the Board;
- the implementation and execution of the strategies and policies, as reflected in approved strategic and operational plans, as determined by the Board;
- the monitoring of the operational and financial results against agreed plans, budgets and forecasts;
- the prioritising and allocation of financial, technical and human resources in order to deliver on agreed plans, budgets and forecasts; and
- the development and implementation of appropriate risk management systems.

Dialogue with shareholders

The Executive Chairman is responsible for the day-to-day management of the Group and for implementing the strategy as reviewed and approved by the Board, as well as for ensuring effective communication with shareholders, brokers and analysts.

The Directors seek to build on a mutual understanding of objectives between the Group and its shareholders, in particular by communicating regularly throughout the year and encouraging them to participate in the Annual General Meeting, which all the Directors would normally attend. The Non-Executive Directors are available to meet with shareholders, should this be desired, and each communicates regularly with the Group's Nominated Advisor.

The Executive Chairman ensures that the views of shareholders are communicated to the Board as a whole. All meetings with shareholders are held in a manner which ensures price sensitive information which has not been made available to shareholders generally, is protected from disclosure.

The Executive Chairman and Chief Financial Officer will give annual and bi-annual presentations to institutional investors and analysts. These presentations will be made available on the Company's website. Annual and interim reports as well as regulatory and press releases are also published on the website as are the terms of reference of the three Board Committees. Paper copies of the Annual Report and Accounts are mailed to those shareholders who have elected to receive them in hard copy form.

By order of the Board

Tony Ratcliffe
Company Secretary
12 April 2021

REPORT OF THE DIRECTORS

In accordance with the Companies Act 2006, the Directors are pleased to present their Annual Report together with the audited consolidated financial statements of SourceBio International plc for the year ended 31 December 2020.

Corporate details and change of name

The Company changed its name from Sherwood Holdings Limited to SourceBio International Limited on 21 October 2020 and then re-registered from a private company to a public limited company, SourceBio International plc, on 21 October 2020.

SourceBio International plc is incorporated and registered in England and Wales with registration number 10269474. The registered office is 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX.

Principal activities

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

- **Infectious Disease Testing** - since May 2020, the Group has provided COVID-19 testing services. It is intended that this new business unit will potentially provide a broad range of infectious disease testing across the NHS, private healthcare and commercial sectors in the future.
- **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.

Information included in other reports

The Company has chosen, in accordance with the Companies Act 2006 s414C(11), to set out in the Strategic Report and Corporate Governance Statement, certain information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Sch. 7 to be contained in the Directors' Report (Financial risk management disclosures are detailed in note 29). The Company's Strategic Report and the other reports shown on pages 1 to 27 include information on likely future developments of the business, employee involvement and disclosures concerning greenhouse gas emissions that would otherwise be required to be disclosed in this Directors' Report. The Company endeavours to maintain good relationships with partners, customers and suppliers and is in regular communication with all.

Corporate Governance Statement

The information that meets the requirements of the Corporate Governance Statement can be found on pages 30 to 35.

Results and dividend

Revenue for the year was £50.7 million (2019: £21.2 million). Adjusted EBITDA for the year was £14.2 million (2019: £3.0 million) and profit after tax was £3.0 million (2019: loss of £8.1 million).

The detailed results for the year and the financial position as at 31 December 2020 are shown in the Consolidated Statement of Comprehensive Income and the Statement of Financial Position. A review of the results of the year is shown in the Chief Financial Officer's Review.

The Directors do not recommend the payment of a dividend for the year to 31 December 2020 (2019: £nil).

Directors

The Directors of the Company who held office during the year, and at the year-end, are as follows:

Executive Directors

Jay LeCoque

Trevor Nolan
(resigned 28 February 2020)

Tony Ratcliffe
(appointed 23 October 2020)

Non-Executive Directors

James Agnew
(resigned 23 October 2020)

Simon Constantine
(appointed 23 October 2020)

Christopher Mills

Sir Ian Carruthers

Marco Fumagalli

Carlo Sgarbi
(resigned 23 October 2020)

Their biographical details are shown in the Board of Directors section on pages 28 and 29.

As permitted by sections 232 to 235 of the Companies Act 2006, and consistent with the Company's Articles of Association, the Company has maintained insurance cover for its Directors and Officers under a Directors' and Officers' Liability Policy. The Directors may exercise their powers pursuant to the Articles of Association, the Companies Act 2006 and related legislation, as well as any resolution of the shareholders. The Articles of Association are available for review at the Company's registered office.

Due to the recent formation of the current Board, the Directors have not yet been subject to evaluation during this period, but the Board is committed to evaluation of each Director at least annually.

The Company Secretary is Tony Ratcliffe.

Directors' interests

A number of shareholder's loans made available to the Company and totalling £26.0 million were repaid shortly after Admission from the proceeds of the share placing on Admission. An additional £1.0 million was repaid prior to Admission.

On 29 October 2020 the Group completed the sale of its freehold property at 1 Orchard Place, Nottingham for the sum of £5 million to 1 Orchard Place (Freehold) Limited a company related to Christopher Mills being a common director. A lease was granted to the Group for a term of 25 years at an initial rent of £350,000 per annum (excluding VAT) to increase annually at 3%.

Prior to his appointment as an employee and Director of the Company on 23 October 2020, Tony Ratcliffe provided consultancy services to the Group via Consilium Financial limited, of which he was a director and shareholder. Amounts totalling £128,000 were charged to the Group and all were paid in the year.

REPORT OF THE DIRECTORS (continued)

Other than these transactions and other transactions detailed in note 32, no contract existed during the year, or at the year-end, in which any Director of the Company had an interest, other than service contracts.

None of the Directors have a service contract with the Company requiring more than six months' notice of termination to be given. The details of the Directors' contracts are provided in the Report of the Remuneration Committee on pages 46 to 50.

The interests (including the interests of their immediate families and persons connected with the Directors) of the Directors who held office at the end of the year in the ordinary shares of the Company at 31 March 2021, 31 December 2020 and 1 January 2020 were:

Beneficial interest:	At 31 March 2021	At 31 December 2020	At 1 January 2020[1]
Sir Ian Carruthers	-	-	-
Simon Constantine[2]	123,456	123,456	-
Marco Fumagalli[2,3]	17,010,740	17,010,740	16,856,420
Jay LeCoque	2,202,497	2,202,497	2,202,497
Christopher Mills[4]	21,625,197	21,625,197	16,856,421
Tony Ratcliffe[2]	30,864	30,864	-

1 Shareholdings at 1 January 2020 have been calculated as if the share reorganisation that took place in October 2020 had also been in effect as at 1 January 2020

2 On Admission, Simon Constantine purchased 123,456 shares, Marco Fumagalli purchased 154,320 shares and Tony Ratcliffe purchased 30,864 shares, all in their personal capacities and at the issue price of 162p per share

3 Marco Fumagalli's interests include beneficial interests held by Continental Funds which are associated with Marco Fumagalli as he is Founding Partner of Continental; and owns 60% of the issued share capital of Protea. Marco also owns 154,320 ordinary shares personally

4 Christopher Mills' beneficial interests are held through Harwood Funds and NASCIT which are both associated with Christopher Mills as he is a director and the sole shareholder of Harwood Capital Management Limited, which is the designated corporate member and the controller of Harwood Capital; and is a director and the CEO of NASCIT and is NASCIT's largest shareholder. These groups subscribed to 4,760,000 shares in the placing and acquired further shares subsequently

Share capital

The Company had 290,549,917 ordinary shares of 1p each and 32,283,324 A ordinary shares of 0.001p each on 1 January 2020. The share movements in the year, which are more fully detailed in note 22, are summarised below:

On 13 October 2020, the share capital was increased by 7,265,790,769 ordinary shares of 1p in consideration for the redemption of the outstanding PIK loan notes. All 1p ordinary shares were then consolidated into 50,375,603 ordinary shares of 0.15p.

On 16 October 2020, all 0.15p A ordinary shares were then consolidated into 215,222 ordinary shares of 0.15p.

On 26 October 2020, the share capital was increased by 1,987,275 ordinary shares of 0.15p issued at par to Jay LeCoque in order to effect economic parity of his contractual interest following the share reorganisation.

On 28 October 2020, the share capital was increased by 21,604,938 ordinary shares of 0.15p as a result of shares issued at 162p per share, in a share placing on Admission to AIM.

Following the share reorganisation completed in contemplation of Admission, the Company only had one class of share which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. There are no restrictions on voting rights or on the holding or transfer of these securities. On Admission to AIM and for a period of 12 months, a total of 49,022,039 ordinary shares of 0.15p beneficially owned by Harwood Funds, Continental Funds, Lombard Funds and Jay LeCoque are subject to orderly market arrangements with the Company and its Nominated Advisor in relation to any permitted disposals of their shares.

The Company had 74,183,038 ordinary shares of 0.15p each on 31 December 2020.

Share price

From Admission on 29 October 2020, the share price ranged from a high of 232.5p to a low of 153.5p. The average price for the period was 169.9p and the mid-market price of an ordinary share was 173.5p on 31 December 2020.

Treasury management

The Company holds all cash balances in no-notice accounts. The Company's policy on the use of financial instruments and the management of financial risks is set out in note 29 of the financial statements.

Stakeholder engagement

The Company's approach to shareholder engagement is shown in the Corporate Governance Statement on page 30.

Substantial shareholdings

At 31 March 2021, the Company had been notified of the following interests of 3% or more in the Company's ordinary share capital:

	Number of ordinary shares	% of issued share capital
Harwood (held by the Harwood Group and NASCIT)[1]	21,625,197	29.2%
Continental (held by the Continental Funds)	16,856,420	22.7%
Lombard (held by the Lombard Funds)	15,884,478	21.4%
Killick & Co LLP	2,246,403	3.0%

1 Christopher Mills, a Director in the Company, is beneficially interested in Harwood Funds and NASCIT which are both associated with Christopher Mills as he is a director and the sole shareholder of Harwood Capital Management Limited, which is the designated corporate member and the controller of Harwood Capital; and is a director and the CEO of NASCIT and is NASCIT's largest shareholder. These groups subscribed to 4,760,000 shares in the placing and acquired further shares subsequently.

Annual General Meeting

The Annual General Meeting of the Company will be held by electronic facility at 1pm on 14 June 2021. All ordinary and special resolutions to be proposed at that meeting are detailed in the Notice of Annual General Meeting sent to shareholders with this Annual Report and Accounts.

The Directors believe that all the proposals to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders. They recommend that you vote in favour of the proposed resolutions. The Directors will be voting in favour of the proposed resolutions in respect of their own shareholdings in the Company.

REPORT OF THE DIRECTORS (continued)

Going Concern Statement

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 Placing on Admission to AIM 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.

Employment and equal opportunities

The Group places considerable importance on involving its employees in the evolution of the Group's policies and procedures and matters affecting them as employees. The Board strives to keep employees informed on such matters to the extent regulations allow and good practice indicates. Participation of employees in contributing to the growth of the Group is encouraged through meetings between management and staff who have an opportunity to discuss progress, plans, performance and issues affecting them or the Group.

The Group has an equal opportunities policy under which SourceBio is committed to ensuring that everyone should have the same opportunities for employment and promotion based on their ability, qualifications and suitability for the work in question; seeking excellence in employees through the implementation of recruitment, incentivisation, performance review, development and promotion processes that are fair to all; and capitalising on the added value that diversity brings. Discrimination in the workplace on the basis of age, gender, disability, ethnic origin, nationality, sexual orientation, gender reassignment, religion or belief, marital status and pregnancy and maternity is unacceptable and will not be tolerated.

Supplier payments

The Group is committed to obtaining the best terms for all types of business. Consequently there is no single policy as to the terms used. It is the Group's policy to confirm the terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and abide by them. The number of days purchases represented by Group trade creditors at 31 December 2020 was 29 days (2019: 46 days).

Financial risk management

Details of the Group's policy for the management of financial risk are given in note 29 to the consolidated financial statements.

Bribery Act

In response to the Bribery Act 2010, the Board continues to risk assess all the relevant procedures and processes, implementing and reinforcing the Group's Anti Bribery and Corruption Policy with employees, suppliers and customers.

Independent auditors

RSM UK Audit LLP has been appointed as auditor and, in accordance with section 489 of the Companies Act 2006, a resolution to approve their re-appointment will be put to the members at the forthcoming Annual General Meeting.

The Directors who held office at the date of approval of this Report confirm that so far as they are each aware, there is no relevant information of which the Group's auditor is unaware, and each Director has taken all steps that ought to be taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

By order of the Board

Tony Ratcliffe
Company Secretary
12 April 2021

REPORT OF THE AUDIT COMMITTEE

The responsibilities and work carried out by the Audit Committee in the year under review are set out in the following report.

Composition and governance

The Audit Committee comprises two independent Non-Executive Directors - Simon Constantine (Chairman of the Committee) and Sir Ian Carruthers and one non-independent Non-Executive Director, Christopher Mills. All have the skills and experience required to fully discharge their duties. Simon Constantine meets the requirements of recent and relevant financial experience.

The Executive Chairman, Chief Financial Officer and Group Financial Controller also generally join at least part of all Audit Committee meetings, by invitation.

The Committee Chairman may call a meeting at the request of any member of the Committee or at the request of the Company's external auditor. The Audit Committee meets privately with the external auditor at least twice a year. The external auditor has direct access to the Chairman of the Committee outside formal Committee meetings.

The primary role of the Committee, which reports its findings to the Board, is to ensure the integrity of the financial reporting and audit process and the maintenance of sound internal control and risk management systems. The Committee:

- reviews the integrity of the Group's financial statements and any formal announcements relating to its financial performance;
- monitors and reviews the Group's internal financial controls and internal control and risk management systems;
- reviews the effectiveness of the external audit process and makes recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- reviews the policy on the engagement of the external auditor to supply non-audit services;
- supports the Board's role in overseeing a business wide approach to risk identification, risk management and risk mitigation;
- advises the Board on whether the Committee believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;
- periodically considers the need for an internal audit function; and
- ensures that the Group has arrangements in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

The Committee reviews its terms of reference and its effectiveness annually and recommends to the Board any changes required as a result of the review. Its terms of reference are available on request from the Company Secretary.

The Audit Committee is entitled to obtain, at the reasonable expense of the Company, such external advice as it sees fit on any matters falling within its terms of reference.

Activities during 2020

The Audit Committee was formed on Admission of the Company to AIM on 29 October 2020 and has met once prior to the year-end date and once since the year-end date. The external auditor, RSM UK Audit LLP, attended both meetings. The future meetings of the Committee are scheduled to coincide with key dates in the financial reporting and audit cycle. The Audit Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements and draft Annual Report and Accounts prior to Board approval and reviewing the external auditor's detailed reports thereon and also reporting to the Board the significant issues that the Committee considered in relation to the financial statements and how those issues were addressed, having regard to matters communicated to it by the auditor;
- in particular reviewing the final Annual Report and Accounts with reference to its knowledge of the activities of the Group during the year, concluding that, taken as a whole it is fair, balanced and understandable;
- reviewing the appropriateness of the Group's accounting policies;
- reviewing and approving the audit fee and reviewing non-audit fees payable to the Group's external auditor in accordance with the policy it has adopted;
- reviewing the external auditor's plan for the audit of the Group's accounts, which included key areas of focus on the accounts' confirmations of auditor independence and proposed audit fee;
- reviewing the Group's internal financial controls operated in relation to the business and assessing the effectiveness of those controls in minimising the impact of key risks;
- reviewing a report on the Group's Risk Management Framework and system of internal control, assessing its effectiveness and reporting to the Board on the results of the review;
- assisting the Board with overseeing a business wide approach to risk identification, management and mitigation; and
- reviewing the arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Financial reporting and significant areas of judgement

The Audit Committee reviewed a wide range of financial reporting and related matters in respect of the Company's annual results statements and the Annual Report and Accounts prior to their consideration by the Board.

The following key areas of risk and judgement have been identified and considered by the Audit Committee with management and the external auditor in relation to the business activities and financial statements of the Group:

- revenue recognition with particular reference to the adoption of IFRS 15 for the first time;
- management override of controls; and
- the adoption of IFRS for the first time, in particular the treatment under IFRS 16 of the sale and leaseback transaction in October 2020.

Reports highlighting key accounting matters and significant judgements were received from RSM UK Audit LLP in respect of the year-end financial statements and discussed by the Committee. In particular, the areas of audit focus included revenue recognition, management override of controls, impairments and provisioning, taxation as well as two transactions unique to 2020, the sale and leaseback of the Nottingham facility and the Admission to AIM.

Analysis to support the Going Concern Statement given on page 40 was also reviewed by the Committee after receiving reports from management on this matter.

The Group's management and auditor confirmed to the Audit Committee that they were not aware of any material misstatements in the financial statements. Having reviewed the reports received from management and the auditor and discussed the same with them, the Committee is satisfied that the key areas of risk and judgement have been appropriately addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised, are sufficiently robust and that the financial reporting disclosures made were appropriate. The Committee therefore believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

REPORT OF THE AUDIT COMMITTEE (continued)

External auditor

Non-audit work

The Audit Committee is responsible for ensuring that an appropriate relationship between the Group and the external auditor is maintained, including reviewing non-audit services and fees. On Admission to AIM, the supply of non-audit services previously supplied by the external auditor, in particular tax advisory and tax compliance, were transferred to Crowe UK LLP to ensure the objectivity and independence of the auditor, RSM UK Audit LLP. The Committee is satisfied that the provision by RSM UK Audit LLP of non-audit services prior to Admission did not impair their independence or objectivity.

During 2020 the fees for non-statutory audit services provided by RSM UK Audit LLP amounted to £231,000 (including £193,000 in relation to fees incurred as Reporting Accountants), all of which were incurred prior to Admission. These fees compared with the audit fee for 2020 of £113,000.

Auditor independence

The Committee received and reviewed written confirmation from the external auditor that there were no relationships that, in their judgement, may bear on their independence. The external auditor has also confirmed that they consider themselves independent within the meaning of UK regulatory and professional requirements.

Performance and effectiveness of the external auditor

The performance and effectiveness of the external auditor was formally reviewed by the Committee taking into account the views of Directors and senior management on such matters as independence, objectivity, proficiency, resourcing and audit strategy and planning. The Committee concluded that the performance of the external auditor remained satisfactory following the review. The performance of the external auditor will continue to be reviewed annually. The Committee has recommended to the Board that RSM UK Audit LLP should be re-appointed as the Company's external auditor for the next financial year. Following this recommendation, the Board is tabling a resolution for the re-appointment of the external auditor to shareholders at the forthcoming Annual General Meeting.

Internal control and risk management systems

In applying the QCA Code, the Board recognises the need to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Directors have overall responsibility for ensuring that the Group maintains a system of internal control and risk management to provide them with reasonable assurance regarding effective and efficient operations, internal control and compliance with laws and regulations. The system of internal control and risk management is designed to manage rather than eliminate the risk of failure to observe business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group views the careful management of risk as a key management activity. Managing business risk to deliver results from opportunities is a key part of all activities.

The Directors have continued to review the effectiveness of the Group's system of internal controls, including strategic, commercial, operational, compliance and financial controls and risk management systems. These were updated, enhanced, consolidated and presented within the Company's Financial Position, Prospects and Procedures ("FPPP") document ahead of Admission. The FPPP document included an assessment of internal controls, in particular internal financial controls. In addition, as part of its reporting to the Audit Committee and Board, the external auditor's report following its audit work included matters identified in the course of its statutory audit work which were reviewed by the Audit Committee. Procedures are in place to take appropriate action if any significant failings or weaknesses are identified in the Board's review of internal controls or are otherwise brought to the Board's attention.

There is a clearly defined organisational structure. The Group operates a comprehensive annual planning and budgeting process, which is updated by monthly forecast revisions. Corporate objectives are defined at the start of each year and cascaded to the Executive Management team and then throughout the organisation. The performance of each business unit and the business as a whole is reviewed by the Executive Management team and the Board. Any corrective actions are taken where required.

As would be expected of a group of similar size, scale or complexity, the Group does not have an independent internal audit department. It is felt that the financial record keeping is robust and capable of highlighting significant departures from procedures. Other areas of risk review and management that may otherwise be conducted by an independent internal audit department are covered by the Board and its Committees, as highlighted above. The Board reviews this position annually.

Simon Constantine

Non-Executive Director and Chairman of the Audit Committee

On behalf of the Board of Directors
12 April 2021

REPORT OF THE REMUNERATION COMMITTEE

This Report sets out details of the remuneration policy for Executive and Non-Executive Directors, describes how the current remuneration policy has been implemented and discloses the amounts paid relating to the year ended 31 December 2020.

This Report also proposes a remuneration policy for the consideration by shareholders of the Company at the forthcoming Annual General Meeting which, if approved, will be implemented in 2021.

The following information is unaudited unless otherwise stated.

Current remuneration policy, as applied to 2020

The Remuneration Committee was formed on Admission on 29 October 2020 and did not formally meet during the year.

The current remuneration policy for Executive Directors, the Executive Management team and selected senior managers comprises the following elements:

- base salary;
- discretionary cash bonus; and
- employment-related benefits - pension contributions, private healthcare and life assurance.

Base salary arrangements are detailed below and amounts paid in the year are included in the table below.

2020 has been a busy and challenging year and, in order to reflect the strong performance achieved, a discretionary cash bonus amounting to 30% of annual base salary has been awarded to Executive Directors and the Executive Management team.

Non-Executive Director fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and relevant Board Committees, and to attract and retain Non-Executive Directors of the highest calibre and with relevant experience. The fee levels are set by reference to Non-Executive fees payable at companies of similar size and complexity and are determined by the Board as a whole. Non-Executive Directors are not eligible to participate in any cash or equity incentive schemes that may be in place and do not receive any pension entitlements.

Directors' remuneration – audited

The remuneration of the Directors in the year ended 31 December 2020 is shown below:

	Salary and fees £'000	Bonus £'000	Benefits-in-kind £'000	Pension contributions £'000	**2020 Total £'000**	2019 Total £'000
Executive						
Jay LeCoque	176	75	29	5	**285**	183
Trevor Nolan	20	-	2	1	**23**	127
Tony Ratcliffe	35	57	-	-	**92**	-
	231	132	31	6	**400**	310
Non-Executive						
James Agnew	-	-	-	-	**-**	-
Sir Ian Carruthers	35	-	-	-	**35**	-
Simon Constantine	7	-	-	-	**7**	-
Marco Fumagalli	6	-	-	-	**6**	-
Christopher Mills	6	-	-	-	**6**	-
Carlo Sgarbi	-	-	-	-	**-**	-
	54	-	-	-	**54**	-
Total fees and emoluments	285	132	31	6	**454**	310

Notes to the Directors' remuneration – audited

Trevor Nolan resigned on 28 February 2020. James Agnew and Carlo Sgarbi resigned on 23 October 2020.

In addition to amounts shown above, Jay LeCoque benefitted from the valuation uplift arising following the purchase of 32,283,324 A ordinary shares of 0.001p in the Company which were acquired at par value in 2019. The shares were converted into 2,202,497 ordinary shares of 0.15p in the Company as part of the capital reorganisation in contemplation of the Company's Admission to AIM. The gain in value, being classified as share based compensation, amounted to £3,568,000, calculated at the Admission price of 162p per share.

Tony Ratcliffe became an employee and was appointed to the Board on 23 October 2020. Prior to his employment, he provided his services to the Group on a consultancy basis via Consilium Financial Limited, who billed the Group a total of £128,000 during the year (2019: £nil).

Sir Ian Carruthers was appointed to the Board in September 2019, but he received no remuneration until May 2020, at which point his remuneration was backdated. No other Non-Executive Director received any remuneration prior to Admission to AIM on 29 October 2020.

Directors' share options and long-term incentive plans

There currently are no share option or long-term incentive plans in place.

Directors' interests in the share capital of the Company are disclosed in the Directors' report on pages 38 and 39.

REPORT OF THE REMUNERATION COMMITTEE
(continued)

Directors' remuneration terms

Executive Directors

The base salary for Jay LeCoque, Executive Chairman, is £250,000 per annum, which is converted for payment into US Dollars. Prior to Admission to AIM in October 2020, his base salary was US$250,000 per annum.

The base salary for Tony Ratcliffe, Chief Financial Officer, who joined on Admission in October 2020, is £190,000 per annum.

Both Executive Directors have entered into service agreements with the Group. Each service agreement is subject to termination by the Group or the individual upon serving six month's notice. The service agreements contain a payment-in-lieu clause which is limited to base salary and there is no contractual loss of office payment due.

The agreements also include pension and ancillary healthcare and life assurance benefits.

Non-Executive Directors

Following Admission in October 2020, the fee for Sir Ian Carruthers, Senior Independent Non-Executive Director, is £40,000 per annum. Prior to Admission, his fee was £25,000 per annum.

The fee for Simon Constantine, Independent Non-Executive Director, who joined on Admission in October 2020, is £40,000 per annum.

The fee for Christopher Mills, is £35,000 per annum, payable from Admission in October 2020.

The fee for Marco Fumagalli, is £35,000 per annum, payable from Admission in October 2020.

All Non-Executive Directors' letters of appointment are for an initial period of three years from the date of Admission, with a three month notice period. Non-Executive Directors are expected to make themselves available for at least two days per month.

All Director service agreements or letters of appointment are available for inspection at the Company's registered office.

Remuneration policy

The remit of the Remuneration Committee is to oversee the development and implementation of the remuneration policy as agreed by the Board and as approved by shareholders. The overall aim of the remuneration policy for employees of the Group as a whole is to ensure that the Executive Directors, Executive Management team, senior managers and all employees are fairly and competitively rewarded for the short-term and long-term performance of the Group.

A review of the remuneration policy has been undertaken since the year-end date and the proposed remuneration policy is summarised below.
This proposed remuneration policy will be presented for approval at the Annual General Meeting of the Company on 14 June 2021 and, subject to shareholder approval, is expected to be implemented during 2021.

Proposed remuneration policy, expected to be applied in 2021

The proposed remuneration policy is detailed below.

Guiding principles

The guiding principles of the remuneration policy centre on:

- aligning the interests of the Executive Directors and Executive Management team with those of the shareholders;
- providing competitive remuneration that will motivate and retain key employees and attract high quality individuals to the Group at a level commensurate to the size (revenue and market capitalisation) of the Group;
- encouraging and supporting a high performing culture throughout the Group;
- rewarding the delivery of ambitious business targets which align to strategic goals and add substantial value to the Group;
- promoting good, effective remuneration practice; and
- being flexible to maximise opportunity in a rapidly changing business environment.

Levels of remuneration

The levels of remuneration are based on:

- competitive, but not excessive, base salary levels which reflect the levels of responsibility and are comparable to peer companies of equivalent size and complexity;
- performance related pay comprising annual cash bonuses and share options. Payments under these schemes will be dependent on meeting aggressive targets, based on growth of the Company's share price and on delivering the strategic goals of the Group; and
- an appropriate balance between short and longer-term performance targets based on the opportunities available, the expectations of the Board and of the shareholders.

Implementation

The Remuneration Committee oversees the implementation of the remuneration policy and will seek to ensure that the Executive Chairman, other Executive Directors, Executive Management and senior managers and indeed all employees are fairly rewarded based on the short and long-term performance of the Group.

The remuneration framework

The remuneration framework intended to deliver this remuneration policy for the Executive Chairman, other Executive Directors and Executive Management team is a combination of base salary, cash bonus and an executive share options plan. The details of these components of the framework are outlined below:

Base salaries

Base salaries will be reviewed annually as will the overall levels of remuneration generally. Consideration will be given to the performance of the Group, the performance of individuals, any changes in responsibilities or role, as well as practices in comparative companies of a broadly similar size and complexity with due account taken of market capitalisation and scale of revenues. The base salary for the Executive Chairman is currently £250,000 per annum, Chief Financial Officer £190,000 per annum and Chief Operating Officer £175,000 per annum.

Pension contributions

The Executive Chairman, Executive Directors and senior managers are eligible for pension contributions that vary between 5% to 10% of annual salary. The Group complies with the national scheme for workplace pensions and makes contributions of at least 3% of annual salary for relevant employees.

Other benefits

The Executive Chairman, other Executive Directors and selected senior managers are entitled to receive benefits which may include private healthcare, life assurance and in some cases a vehicle allowance.

Cash bonuses

The Executive Chairman, Executive Directors and selected senior managers are eligible to participate in the Discretionary Executive and Management Bonus Scheme. Targets under this bonus scheme will be based on the achievement of EBITDA targets with a sliding scale of payment for increasing levels of performance. The performance measures may include other performance objectives and will be set annually. The maximum percentage for the Executive Chairman and Chief Financial Officer is capped at 75% of base salary.

Executive share options plan

The Executive Chairman, Chief Financial Officer, Chief Operating Officer, Executive Management team and selected senior managers will be eligible to participate in the executive share options plan. The overall pool for share options is 8% of issued share capital. The exercise of options under the executive share options plan will be subject to the continued employment of the individual at the date of vesting as well as subject to the achievement of appropriate performance criteria.

Save as You Earn Scheme ("SAYE")

A SAYE scheme will be available for all employees. The overall pool for the SAYE scheme is 2% of issued share capital.

There will be a combined 10% pool for the executive share options plan and SAYE scheme.

REPORT OF THE REMUNERATION COMMITTEE
(continued)

Service agreements

The Executive Chairman and Chief Financial Officer have entered into service agreements with the Group. Each service agreement is subject to termination by the Group or the individual on six months' written notice. The agreements contain a payment-in-lieu of notice clause which is limited to base salary only and there is no loss of office payment due. Copies of the service agreements are available for inspection at the Company's registered office.

The service agreements of any other Executive Director will comply with this policy.

External board appointments

Where Board approval is given for an Executive Director or a senior manager to accept an outside directorship the individual is entitled to retain any fees received. No Executive Directors are currently members of any external publicly listed company boards.

Recruitment remuneration policy

Any new Executive Director and selected senior manager hires, including those promoted internally, will be offered remuneration packages in line with the remuneration policy in force at the time.

Non-Executive Director letters of appointment

Non-Executive Director fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and Board Committees and to attract and retain Non-Executive Directors of the highest calibre and with relevant experience. Fee levels are set by reference to non-executive fees at companies of similar size and complexity and are determined by the Board as a whole. All Non-Executive Directors' letters of appointment are for an initial period of three years from the date of Admission, with a three month notice period. These letters of appointment are available for inspection at the Company's registered office.

Non-Executive Directors are not eligible to participate in any of the incentive arrangements of the Group and do not receive any pension contributions.

Pay reviews

The Remuneration Committee considers pay and employment conditions across the Group when reviewing the remuneration of the Executive Chairman, Executive Directors and other senior managers.

Review of remuneration policy

The Remuneration Committee will review the policy annually and it will be presented for approval by the Board and shareholders at the Annual General Meeting.

Statement of shareholder voting

Since the Admission of the Company to AIM on 29 October 2020, the Company has not yet held an Annual General Meeting but in 2021 and in future years it will report on votes received from shareholders.

Specific resolutions will be tabled at the forthcoming Annual General Meeting on 14 June 2021 to effect the proposed remuneration policy to be applied in 2021 and in particular to seek shareholder approval to implement the proposed executive share options plan and SAYE scheme. I look forward to your continuing support at the 2021 Annual General Meeting.

Sir Ian Carruthers

Senior Non-Executive Director and Chairman of the Remuneration Committee

On behalf of the Board
12 April 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law, and are required under the AIM rules of the London Stock Exchange, to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and other applicable laws and regulations and have elected under company law to prepare the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable laws.

The Group and Company financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and Company and of their profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on SourceBio International plc's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board and signed on its behalf by:

Jay LeCoque
Executive Chairman
12 April 2021

Tony Ratcliffe
Chief Financial Officer
12 April 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOURCEBIO INTERNATIONAL PLC

Opinion

We have audited the financial statements of SourceBio International plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated and Company Statements of Financial Position, Statements of Changes in Equity, Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 Group and parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's and parent Company's ability to continue to adopt the going concern basis of accounting included:

- understanding how the cash flow forecasts for the going concern period had been prepared and the assumptions adopted;
- testing of the integrity of the forecast model to ensure it was operating as expected; and
- challenging the key assumptions within the forecast with agreement to supporting data where possible.

We note the strength of the balance sheet at 31 December 2020 with £8.4 million of cash and cash equivalents which along with projected revenue growth mean that the Group is expected to be able to comfortably operate within its existing banking facilities.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOURCEBIO INTERNATIONAL PLC (continued)

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Sale and leaseback transaction **Parent Company** • No key audit matters noted
Materiality	**Group** • Overall materiality: £502,000 (2019: £322,000) • Performance materiality: £376,000 (2019: £241,000) **Parent Company** • Overall materiality: £280,000 (2019: £160,000) • Performance materiality: £210,000 (2019: £120,000)
Scope	Our audit procedures covered 98% of revenue, 96% of total assets and 91% of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group and parent Company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group and parent Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Key audit matter description	Under International Auditing Standards there is a rebuttable presumed risk of fraud that revenue may be misstated due to improper revenue recognition. For the more complex contracts involving multiple services, there is management judgement required to determine the distinct performance obligations, allocate the consideration to each of these obligations and determine if income should be recognised over time or at a point in time in line with the requirements of IFRS 15 "Revenue from Contracts with Customers".
How the matter was addressed in the audit	We performed cut-off testing and substantive testing procedures over revenue including the use of financial data analytics software to identify unusual transactions for testing. We challenged and tested management's assessment of the revenue recognition on the more complex contracts in progress at the year-end. We also considered the adequacy of the disclosure of the Group's revenue recognition accounting policy in note 2 and the critical accounting estimates and judgements in note 4.

Sale and leaseback transaction

Key audit matter description	During October 2020, the group sold its head office premises in Nottingham for £5 million which was subsequently leased back for 25 years. This transaction is accounted for under IFRS 16 "Leases". There is judgement involved in determining whether a sale and leaseback transaction has occurred which impacts on the level of profit that can be recognised on the sale. There is also judgement involved in determining the discount rate that is used to calculate the lease liability.
How the matter was addressed in the audit	We reviewed the legal agreements for the freehold property sale and the lease and confirmed that they were connected and hence should be accounted for as a sale and leaseback transaction. We challenged the appropriateness of the discount rate adopted for determining the lease liability. We then audited the calculation of the lease liability, right of use asset and level of profit recognised on the sale. We considered whether the transaction had been appropriately disclosed in notes 4, 17, 26 and 32.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent Company
Overall materiality	£502,000 (2019: £322,000)	£280,000 (2019: £160,000)
Basis for determining overall materiality	5% of profit before tax and shareholder loan interest.	0.8% of total assets
Rationale for benchmark applied	Profit before tax is focused upon by investors as a measure of the performance of the Group with shareholder loan interest added back as non-recurring as arising due to the ownership prior to the Group's Admission to AIM.	Total assets was chosen as the entity is a non-trading holding company.
Performance materiality	£376,000 (2019: £241,000)	£210,000 (2019: £120,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £25,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £14,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group consists of 8 components, operating mainly from the United Kingdom but also in the Republic of Ireland and the United States of America.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	7	98%	96%	91%

Analytical procedures at group level were performed for the remaining component.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 51, 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 Group's and the parent 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 Group or the parent 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Group and parent Company operate in and how the Group and parent Company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the audit engagement team included:
International Accounting Standards and the Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; and Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from external tax advisors.
ISO standards for medical services and GDPR	ISAs limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of management and where appropriate, those charged with governance (as noted above) and inspection of legal and regulatory correspondence, if any.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	See key audit matters above; and We reviewed revenue journals for appropriateness using financial data analytics software.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Use of our report

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

RSM UK Audit LLP

Neil Stephenson

(Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Suite A, 7th Floor
East West Building
2 Tollhouse Hill
Nottingham
NG1 5FS

12 April 2021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

Continuing operations:	Note	**Year ended 31 December 2020 £'000**	Year ended 31 December 2019 £'000
Revenue	5,6	**50,737**	21,234
Cost of sales		**(30,284)**	(12,548)
Gross profit	5	**20,453**	8,686
Distribution costs		**(1,573)**	(1,465)
Administrative expenses		**(8,181)**	(6,193)
Adjusted EBITDA		**14,155**	3,016
Depreciation	17	**(1,890)**	(1,556)
Amortisation	16	**(102)**	(255)
Exceptional costs	7	**(1,464)**	(177)
Operating profit	8	**10,699**	1,028
Finance costs	12	**(7,908)**	(9,057)
Profit / (loss) before tax		**2,791**	(8,029)
Taxation	13	**201**	(116)
Profit / (loss) attributable to equity shareholders of the Company		**2,992**	(8,145)
Other comprehensive income			
Items that may be 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			
Basic and diluted earnings / (loss) per ordinary share	14	**5.3p**	(16.4)p

The notes on pages 64 to 100 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	**31 December 2020 £'000**	31 December 2019 £'000	1 January 2019 £'000
Assets				
Non-current assets				
Intangible assets – goodwill	16	**9,993**	9,993	9,993
Intangible assets – other	16	**349**	311	486
Property, plant and equipment	17	**6,959**	6,480	7,134
Right-of-use assets	17	**9,478**	4,257	1,388
Deferred tax asset	27	**395**	–	–
Total non-current assets		**27,174**	21,041	19,001
Current assets				
Inventories	19	**3,598**	816	1,398
Trade and other receivables	20	**10,472**	5,227	6,559
Cash and cash equivalents	21	**8,435**	1,235	1,038
		22,505	7,278	8,995
Assets classified as held for resale	17	**475**	475	–
Total current assets		**22,980**	7,753	8,995
Total assets		**50,154**	28,794	27,996
Equity attributable to equity shareholders of the Company				
Share capital	22	**111**	2,906	2,905
Share premium account	23	**33,189**	–	–
Foreign exchange reserve	23	**171**	(37)	–
Retained earnings	23	**(1,637)**	(80,117)	(71,972)
Total equity		**31,834**	(77,248)	(69,067)
Liabilities				
Non-current liabilities				
Trade and other payables	24	**394**	365	400
Borrowings	25	**–**	71,537	62,924
Lease liabilities	26	**11,602**	3,449	857
Deferred tax liabilities	27	**–**	30	10
Provisions	28	**141**	160	216
Total non-current liabilities		**12,137**	75,541	64,407
Current liabilities				
Trade and other payables	24	**5,494**	5,389	6,422
Borrowings	25	**–**	24,403	25,331
Corporation tax payable		**126**	38	25
Lease liabilities	26	**547**	656	454
Provisions	28	**16**	15	424
Total current liabilities		**6,183**	30,501	32,656
Total liabilities		**18,320**	106,042	97,063
Total equity and liabilities		**50,154**	28,794	27,996

The notes on pages 64 to 100 are an integral part of these consolidated financial statements. The financial statements were approved by the Board on 12 April 2021 and signed on its behalf by:

Jay LeCoque
Executive Chairman

Tony Ratcliffe
Chief Financial Officer

Company registered number: 10269474

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	**31 December 2020 £'000**	31 December 2019 £'000	1 January 2019 £'000
Assets				
Non-current assets				
Investments in subsidiary undertakings	18	**15,184**	15,184	15,184
Total non-current assets		**15,184**	15,184	15,184
Current assets				
Trade and other receivables	20	**19,782**	4,153	3,688
Total current assets		**19,782**	4,153	3,688
Total assets		**34,966**	19,337	18,872

Equity attributable to equity shareholders of the Company				
Share capital	22	**111**	2,906	2,905
Share premium account	23	**33,189**	–	–
Retained earnings	23	**1,602**	(74,659)	(66,438)
Total equity		**34,902**	(71,753)	(63,533)
Liabilities				
Non-current liabilities				
Borrowings	25	**–**	67,687	61,674
Total non-current liabilities		**–**	67,687	61,674
Current liabilities				
Trade and other payables	24	**64**	–	–
Borrowings	25	**–**	23,403	20,731
Total current liabilities		**64**	23,403	20,731
Total liabilities		**–**	91,090	82,405
Total equity and liabilities		**34,966**	19,337	18,872

The notes on pages 64 to 100 are an integral part of these consolidated financial statements.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes. The profit for the parent Company for the year was £773,000 (2019: £8,221,000 loss).

The financial statements were approved by the Board on 12 April 2021 and signed on its behalf by:

Jay LeCoque
Executive Chairman

Tony Ratcliffe
Chief Financial Officer

Company registered number: 10269474

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

Consolidated	Share capital £'000	Share premium account £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'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**

Company	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2019	2,905	–	(66,438)	(63,533)
Loss for the year	–	–	(8,221)	(8,221)
Total comprehensive expense for the year	–	–	(8,221)	(8,221)
Transactions with owners, in their capacity as owners				
- Proceeds from shares issued	1	–	–	1
Total transactions with owners	1	–	–	1
Balance at 31 December 2019	2,906	–	(74,659)	(71,753)
Profit for the year	–	–	773	773
Total comprehensive income for the year	–	–	773	773
Transactions with owners, in their capacity as owners				
- 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**	**1,602**	**34,902**

The notes on pages 64 to 100 are an integral part of these consolidated financial statements

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Group		Company	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000	**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)	773	(8,221)
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	7,520	8,221
Taxation	**(201)**	116	1	–
Issue costs of new shares	**1,464**	–	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	(15,629)	–
Increase / (decrease) in trade and other payables	**25**	(1,068)	61	–
Cash generated from / (used in) operations	**6,388**	2,910	(5,810)	–
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**	–	35,003	–
Costs of Admission to AIM and new share issuance	**(3,243)**	–	(3,243)	–
New borrowings secured	**2,000**	–	–	–
Repayment of borrowings	**(30,253)**	(1,000)	(23,403)	–
Interest paid	**(2,750)**	(303)	(2,547)	–
Payment of lease liabilities	**(894)**	(763)	–	–
Net cash (used in) / generated from financing activities	**(137)**	(2,066)	5,810	–
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	–	–

The notes on pages 64 to 100 are an integral part of these consolidated financial statements

NOTES TO THE 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 parent Company and 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 Company and are rounded to the nearest thousand, £'000, except where otherwise indicated.

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.

Investments in subsidiaries

Investments in subsidiaries are recorded at cost less any impairment provisions in the Statement of Financial Position. They are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in profit or loss in the period they occur.

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

2. Summary of significant accounting policies (continued)

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 and Company 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.

2. Summary of significant accounting policies (continued)

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.

2. Summary of significant accounting policies (continued)

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 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. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2019, the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP financial statements, including the Statement of Financial Position as at 1 January 2019 and the financial statements as of, and for, the year ended 31 December 2019.

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions and principles:

- IFRS 3 Business Combinations has not been applied to the acquisitions of subsidiaries that are considered businesses under IFRS that occurred before 1 January 2019. Use of this exemption means that the UK GAAP carrying amount of assets and liabilities, that are required to be recognised under IFRS, are their deemed costs at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS Statement of Financial Position. The Group did not recognise any assets or liabilities that were not recognised under UK GAAP or exclude any previously recognised amounts as a result of IFRS recognition requirements;
- IFRS 1 also requires that the UK GAAP carrying amount of goodwill must be used in the opening IFRS Statement of Financial Position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. There was no impairment recognised on goodwill at 1 January 2019;
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2019;
- The Group assessed all contracts existing at 1 January 2019 to determine whether a contract contains a lease based upon the conditions in place as at 1 January 2019;
- Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019, which was a weighted average of 3.64%. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any pre-paid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before 1 January 2019. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on either a straight-line basis over the lease term or another systematic basis; and
- The Group has applied the transitional provisions in IAS 23 Borrowing Costs and capitalises borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Group has not restated for borrowing costs capitalised under UK GAAP on qualifying assets prior to the date of transition to IFRS.

The estimates at 1 January 2019 and 31 December 2019 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies). The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2019, the date of transition to IFRS and as at 31 December 2019.

3. First time adoption of IFRS (continued)

Group reconciliation of equity as at 1 January 2019 (the date of transition to IFRS)

	Note	UK GAAP £'000	Reclassification and remeasurements £'000	IFRS as at 1 January 2019 £'000
Assets				
Non-current assets				
Intangible assets - goodwill		9,993	–	9,993
Intangible assets - other		486	–	486
Property, plant and equipment	B	7,954	(820)	7,134
Right-of-use assets	B	–	1,388	1,388
Total non-current assets		18,433	568	19,001
Current assets				
Inventories		1,398	–	1,398
Trade and other receivables	D	6,559	–	6,559
Cash and cash equivalents		1,038	–	1,038
Total current assets		8,995	–	8,995
Total assets		27,428	568	27,996

	Note	UK GAAP £'000	Reclassification and remeasurements £'000	IFRS as at 1 January 2019 £'000
Equity attributable to equity shareholders of the Company				
Share capital		2,905	–	2,905
Retained earnings		(71,864)	(108)	(71,972)
Total equity		(68,959)	(108)	(69,067)
Liabilities				
Non-current liabilities				
Trade and other payables	D	400	–	400
Borrowings		62,924	–	62,924
Lease liabilities	B	433	424	857
Deferred tax liabilities		10	–	10
Provisions		216	–	216
Total non-current liabilities		63,983	424	64,407
Current liabilities				
Trade and other payables	D	6,422	–	6,422
Borrowings		25,331	–	25,331
Corporation tax payable		25	–	25
Lease liabilities	B	202	252	454
Provisions		424	–	424
Total current liabilities		32,404	252	32,656
Total liabilities		96,387	676	97,063
Total equity and liabilities		27,428	568	27,996

Group reconciliation of equity as at 31 December 2019

	Note	UK GAAP £'000	Reclassification and remeasurements £'000	IFRS as at 31 December 2019 £'000
Assets				
Non-current assets				
Intangible assets – goodwill	A	8,536	1,457	9,993
Intangible assets – other		311	–	311
Property, plant and equipment	B,C	8,125	(1,645)	6,480
Right-of-use assets	B	–	4,257	4,257
Total non-current assets		16,972	4,069	21,041
Current assets				
Inventories		816	–	816
Trade and other receivables	D	5,227	–	5,227
Cash and cash equivalents		1,235	–	1,235
		7,278	–	7,278
Assets classified as held for resale	C	–	475	475
Total current assets		7,278	475	7,753
Total assets		24,250	4,544	28,794

	Note	UK GAAP £'000	Reclassification and remeasurements £'000	IFRS as at 31 December 2019 £'000
Equity attributable to equity shareholders of the Company				
Share capital		2,906	–	2,906
Foreign exchange reserve	E	–	(37)	(37)
Retained earnings		(81,626)	1,509	(80,117)
Total equity		(78,720)	1,472	(77,248)
Liabilities				
Non-current liabilities				
Trade and other payables	D	365	–	365
Borrowings		71,537	–	71,537
Lease liabilities	B	676	2,773	3,449
Deferred tax liabilities		30	–	30
Provisions		160	–	160
Total non-current liabilities		72,768	2,773	75,541
Current liabilities				
Trade and other payables	D	5,389	–	5,389
Borrowings		24,403	–	24,403
Corporation tax payable		38	–	38
Lease liabilities	B	357	299	656
Provisions		15	–	15
Total current liabilities		30,202	299	30,501
Total liabilities		102,970	3,072	106,042
Total equity and liabilities		24,250	4,544	28,794

3. First time adoption of IFRS (continued)

Group reconciliation of total comprehensive income for the year ended 31 December 2019

Continuing operations:	Note	UK GAAP £'000	Remeasurements £'000	IFRS for the year ended 31 December 2019 £'000
Revenue		21,234	–	21,234
Cost of sales		(12,548)	–	(12,548)
Gross profit		8,686	–	8,686
Distribution costs		(1,465)	–	(1,465)
Administrative expenses	A,B	(7,842)	1,649	(6,193)
Adjusted EBITDA		2,499	517	3,016
Depreciation	B	(1,231)	(325)	(1,556)
Amortisation	A	(1,712)	1,457	(255)
Exceptional costs		(177)	–	(177)
Operating (loss) / profit		(621)	1,649	1,028
Finance costs	B	(8,988)	(69)	(9,057)
Loss before tax		(9,609)	1,580	(8,029)
Taxation		(116)	–	(116)
Loss attributable to equity shareholders of the Company		(9,725)	1,580	(8,145)
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
- Exchange differences on translation of foreign operations		(37)	–	(37)
Total comprehensive income attributable to equity shareholders of the Company		(9,762)	1,580	(8,182)

Notes to the reconciliation of equity as at 1 January 2019 and 31 December 2019 and total comprehensive income for the year ended 31 December 2019

A Intangible assets

Under UK GAAP, the Group amortised goodwill. Under IFRS, goodwill is not amortised. 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. At the date of transition to IFRS on 1 January 2019, the Group adopted the carrying value of goodwill of £9,993,000. Under IFRS, there has been no impairment in the year (2019: £nil).

The goodwill shown as at 1 January and 31 January 2019 within the Company's Admission Document to AIM amounted to £11,450,000. The difference of £1,457,000 arose from the assumption of an effective date of transition to IFRS being 1 January 2017 rather than 1 January 2019.

B Leases

Under UK GAAP, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term. Under IFRS, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At the date of transition to IFRS, the Group applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any pre-paid or accrued lease payments.

As a result, at the date of conversion to IFRS, the Group recognised an increase of £676,000 (and at 31 December 2019: £3,072,000) of lease liabilities included under interest-bearing loans and borrowings and £1,388,000 (and at 31 December 2019: £4,257,000) of right-of-use assets. The difference between lease liabilities and right-of-use assets has been recognised in retained earnings.

Under UK GAAP, assets held under finance leases are capitalised and included in property, plant and equipment. Under IFRS, they are presented in right-of-use assets. At the date of transition to IFRS, £820,000 (and at 31 December 2019: £1,170,000) was reclassified from tangible fixed assets to right-of-use assets. In addition, lease charges included within administrative expenses under UK GAAP are removed under IFRS. Additionally, depreciation increased by £325,000 and finance costs increased by £69,000 for the year ended 31 December 2019.

C Assets classified as held for resale

Under UK GAAP, assets held for resale are included in property, plant and equipment. Under IFRS, they are separately presented within current assets as assets held for resale. There were no such assets at the date of transition to IFRS, but at 31 December 2019 £475,000 was reclassified from tangible fixed assets to right-of-use assets within current assets.

D Contract assets and contract liabilities

Under UK GAAP, the Group recognised trade receivables, even if the receipt of the total consideration was conditional on successful completion of installation services. Under IFRS, any earned consideration that is conditional should be recognised as a contract asset rather than a receivable. Therefore, at the date of transition to IFRS, 1 January 2019, the Group reclassified £588,000 and at 31 December 2019 it reclassified £431,000 from trade receivables to contract assets.

No adjustment has been made to revenue in applying IFRS 15: Revenue from Contracts with Customers.

Under UK GAAP, the Group recognised deferred revenue for an obligation to transfer goods or services to a customer for which the entity has received consideration or the amount is due from the customer. Under IFRS, the obligation should be recognised as a contract liability rather than deferred revenue. Therefore, at the date of transition to IFRS, 1 January 2019, the Group reclassified £2,700,000 and at 31 December 2019 it reclassified £2,305,000 from deferred revenue to contract liabilities.

E Foreign exchange reserve

Under UK GAAP, the Group recognised translation differences on foreign operations in the retained earnings reserve. Under IFRS, cumulative currency translation differences for all foreign operations are recognised in a separate component of equity. The cumulative translation differences are deemed to be zero as at 1 January 2019.

Statement of Cash Flows

Under UK GAAP, a lease is classified as a finance lease or an operating lease. Cash flows arising from operating lease payments are classified as operating activities. Under IFRS, a lessee generally applies a single recognition and measurement approach for all leases and recognises lease liabilities. Cash flows arising from payments of the principal portion of lease liabilities are classified as financing activities. Therefore, cash outflows from operating activities decreased by £375,000 and cash outflows from financing activities increased by the same amount for the year ended 31 December 2019.

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The preparation of the financial statements requires the Directors to make estimates and judgements that affect the reported amounts of assets, liabilities, costs and revenue in the historical consolidated financial information. Actual results could differ from these estimates. The judgements, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Key areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

Depreciation and amortisation

The assessment of the useful economic lives, residual values and the method of depreciating or amortising tangible and intangible (excluding goodwill) fixed assets requires judgement. Depreciation and amortisation are charged to profit or loss based on the useful economic life selected, which requires an estimation of the period and profile over which the Group expects to consume the future economic benefits embodied in the assets. Useful economic lives and residual values are re-assessed, and amended as necessary, when changes in their circumstances are identified. The carrying value of tangible assets at the year-end is £16,912,000 (2019: £11,212,000) including assets classified as held for resale of £475,000 (2019: £475,000). The carrying value of intangible assets (excluding goodwill) at the year-end is £349,000 (2019: £311,000). There was depreciation in the year of £1,890,000 (2019: £1,556,000) and amortisation in the year of £102,000 (2019: £255,000).

Revenue: Deferred voucher income

An assessment is made of the amount of revenue to be recognised in relation to payments received. For example, where customers purchase pre-paid vouchers for Sanger Sequencing services, an assessment is made of the likely future redemption rate to estimate the quantum of deferred income to be recognised as a liability and revenue to be recognised.

Revenue: manufacturing

An assessment is made of the level of completion of manufactured Stability Storage equipment and, given an enforceable right to payment, this level of completion drives the amount of revenue to be recognised.

Impairment of trade receivables

The Group's policy on recognising an impairment of the trade receivables balance is based on a review of individual receivable balances, their ageing and management's assessment of realisation. This review and assessment is conducted on a continuing basis and any material change in management's assessment of trade receivable impairment is reflected in the carrying value of the asset.

Impairment of goodwill

Impairment tests have been undertaken in respect of goodwill using an assessment of the value in use of the respective CGUs. This assessment requires a number of assumptions and estimates to be made including the allocation of assets of CGUs, the expected future cash flows from each CGU and also the selection of a suitable discount rate in order to calculate the present value of those cash flows. There was no impairment in the year. The carrying value of goodwill at the year-end was £9,993,000 (2019: £9,993,000).

Lease liabilities

The Group makes judgements to estimate the incremental borrowing rate used to measure lease liabilities based on expected third-party financing costs when the interest rate implicit in the lease cannot be readily determined. This is explained further in the Leases accounting policy. The rates used have varied between 3.1% and 4.4% per annum. Where leases include break dates the management have made a judgement that these will not be exercised.

For the sale and leaseback transaction referred to in note 32, there was no profit recognised on the disposal given that the discounted lease commitments of £8.6 million exceeded the £5.0 million sale price. Instead, a right-of-use asset of £5.8 million was recognised which was based on the discounted lease commitments less £2.8 million which was the difference between the book value of the property prior to sale and the £5 million of sale price received.

5. 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 £'000	**Gross profit £'000**	Revenue £'000	Gross profit £'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 7.

6. 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 £'000	2019 £'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 £'000	2019 £'000
Department of Health and Social Care	**17,200**	–
Spire Healthcare Limited	**10,700**	–

Group revenue has been recognised according to time as below:

	2020 £'000	2019 £'000
Recognised at a point in time	**44,984**	16,104
Recognised over time	**5,753**	5,130
Total	**50,737**	21,234

The Group has recognised the following assets and liabilities in relation to contracts with customers:

Assets	2020 £'000	2019 £'000
Contract assets relating to Healthcare Diagnostics contracts	**68**	126
Contract assets relating to Infectious Disease Testing contracts	**814**	–
Contract assets relating to Stability Storage contracts	**76**	138
Contract assets relating to Genomics contracts	**157**	167
Total	**1,115**	431

Liabilities	2020 £'000	2019 £'000
Contract liabilities relating to pre-paid Sanger Sequencing vouchers in Genomics	**978**	1,329
Contract liabilities relating to Stability Storage contracts	**1,030**	976
Total	**2,008**	2,305

The principal increase in the contract assets arose from the inclusion of £814,000 in the newly established Infectious Disease Testing business unit.

Set out below is the amount of revenue recognised from amounts previously included within contract liabilities at the start of the year:

	2020 £'000	2019 £'000
Total	**1,634**	1,374

Management expects that approximately 95% (2019: 95%) of the contract liabilities relating to pre-paid Sanger Sequencing vouchers at the year-end date will be recognised as revenue during 2021, the balance in 2022. Management expects that approximately 64% (2019: 69%) of the contract liabilities relating to Stability Storage contracts at the year-end date will be recognised as revenue during 2021, the balance is expected to be recognised over the life of the contract periods.

7. Exceptional items

	2020 £'000	2019 £'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.

8. Operating profit

Group	**2020 £'000**	2019 £'000
The following items have been charged / (credited) in arriving at operating profit:		
Depreciation of property, plant and equipment owned	**1,194**	1,175
Depreciation of property, plant and equipment leased	**696**	381
Amortisation of intangible assets	**102**	255
Reversal of past impairment of tangible assets	**–**	(36)
Profit on disposal of tangible assets	**–**	(106)
Expenses relating to short-term leases (included within cost of sales)	**55**	25
Exchange differences	**253**	(142)

9. Staff costs

	Group		Company	
Staff costs during the year	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Wages and salaries	**6,675**	6,051	**147**	–
Social security costs	**675**	475	**18**	–
Pension costs - defined contribution	**217**	238	**–**	–
Total	**7,567**	6,764	**165**	–

	Group		Company	
Average monthly employees	**2020 Number**	2019 Number	**2020 Number**	2019 Number
Laboratory Services	**120**	81	**–**	–
Products	**32**	37	**–**	–
Central services	**42**	49	**6**	6
Total	**194**	167	**6**	6

Since Admission to AIM in 2020, staff costs in the Company derive from the costs of the Non-Executive Directors and the Chief Financial Officer. The Executive Chairman is employed by a wholly owned subsidiary company, Source BioScience Inc.

10. Key Management and Directors

Consolidated Key management remuneration	**2020 £'000**	2019 £'000
Salaries and short-term employee benefits	**663**	450
Pension costs - defined contribution	**17**	21
Total	**680**	471

The key management figures given above comprise Executive and Non-Executive Directors together with the Chief Operating Officer.

Directors' remuneration	**2020 £'000**	2019 £'000
Salaries and fees	**285**	245
Bonuses	**132**	23
Benefits-in-kind	**31**	30
Pension costs – defined contribution	**6**	12
Total	**454**	310

At the year-end one Director (2019: one) had retirement benefits accruing under defined contribution pension schemes. Remuneration above includes the following amounts paid to the highest paid Director:

Highest paid Director's remuneration	**2020 £'000**	2019 £'000
Salary	**176**	143
Bonus	**75**	13
Benefits-in-kind	**29**	23
Pension costs – defined contribution	**5**	4
Total	**285**	183

11. Pension commitments

The Group operates a number of defined contribution pension schemes and makes payments to other, personal defined contribution pension scheme arrangements on behalf of certain employees. The charges in the year amounted to:

Group	2020 £'000	2019 £'000
Defined contribution schemes	**217**	238

The year-end creditor amounted to £38,000 (2019: £29,000).

12. Finance costs

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

13. Taxation

Current tax	2020 £'000	2019 £'000
UK corporation tax on profits 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

13. Taxation (continued)

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 £'000	2019 £'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 had £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.

14. 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 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 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 £'000	2019 £'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

15. Services provided by the Group's auditor and network firms

During the year the Group obtained the following services from the Group's auditor as detailed below:

	2020 £'000	2019 £'000
Audit services:		
Statutory audit of Company's and subsidiaries' financial statements	**113**	100
Non-statutory audit of Company as part of the re-registration as a plc	**7**	–
Tax services:		
Compliance services	**–**	36
Advisory services prior to Admission to AIM	**31**	–
Other non-audit services:		
Transaction related services relating to Admission to AIM	**193**	–
Other	**–**	22

16. Goodwill and other intangible assets

Consolidated	Goodwill £'000	Software £'000	Development costs £'000	Customer relationships £'000	Total other intangible assets £'000	Total £'000
Cost						
At 1 January 2019	61,331	–	1,117	185	1,302	62,633
Additions	–	22	58	–	80	80
At 31 December 2019	61,331	22	1,175	185	1,382	62,713
Additions	–	12	128	–	140	140
At 31 December 2020	**61,331**	**34**	**1,303**	**185**	**1,522**	**62,853**
Amortisation and impairment						
At 1 January 2019	51,338	–	631	185	816	52,154
Amortisation charge	–	–	255	–	255	255
At 31 December 2019	51,338	–	886	185	1,071	52,409
Amortisation charge	–	6	96	–	102	102
At 31 December 2020	**51,338**	**6**	**982**	**185**	**1,173**	**52,511**
Net book value						
At 1 January 2019	9,993	–	486	–	486	10,479
At 31 December 2019	9,993	22	289	–	311	10,304
At 31 December 2020	**9,993**	**28**	**321**	**–**	**349**	**10,342**

Amortisation is charged within administrative expenses in the Statement of Comprehensive Income.

Following initial recognition, goodwill is subject to impairment reviews, at least annually, and measured at cost less accumulated impairment losses. Any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income and is not subsequently reversed.

A business unit summary of the allocation of goodwill is shown below:

	2020 £'000	2019 £'000
Healthcare Diagnostics	**1,458**	1,458
Genomics	**2,596**	2,596
Stability Storage	**5,939**	5,939
Total	**9,993**	9,993

In accordance with IAS 36, a CGU to which goodwill has been allocated shall be tested for impairment annually and whenever there is indication of impairment by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

Number of years of cash flows used and budgeted growth rate

The recoverable amount of the CGU is based on a value in use calculation using specific cash flow projections over a five year period and a terminal growth rate thereafter.

The five year forecast is prepared considering the Directors' expectations based on market knowledge, numbers of new engagements and the pipeline of opportunities. The principal assumptions are that underlying growth is expected in the Healthcare Diagnostics, Genomics and Storage Stability business units, from a reduced level in 2020. In particular, a return of substantial levels of elective surgeries is anticipated to drive growth in Cellular Pathology testing services, the backlog of work having been caused by COVID-19. Infectious Disease Testing revenues are forecasted to peak in 2021, but to continue beyond 2021. Estimates have been forecasted of gross margin trends, expense growth and cash generation on a line-by-line monthly basis at least through 2022, then extrapolated thereafter.

Discount rate

The Group's pre-tax weighted average cost of capital has been used to calculate a discount rate, which reflects current market assessments of the time value of money for the period under review and the risks specific to the Group. The discount rate used in each of the periods under review is 12.3% (2019: 18.3%).

Terminal growth rate

An appropriate terminal growth rate is selected, based on the Directors' expectations of growth beyond the five year period. The growth rate used post the forecast period is 3.5% (2019: 1.4%) based on published GDP growth rates.

The following table shows the theoretical discount rate or growth rate before the recoverable amount of the CGU would reduce to the carrying value of goodwill.

	2020	2019
Discount rate	33.5%	37.6%
Growth rate	n/a	(103.6%)

The growth rate for 2020 beyond the five year period is not applicable because the discounted cashflows in this period are forecasted to exceed the carrying value of the investment.

17. Property, plant and equipment

Consolidated	Freehold property £'000	Leasehold property £'000	Plant, fixtures, fittings and equipment £'000	Motor vehicles £'000	Right-of-use assets £'000	Total £'000
Cost						
At 1 January 2019	5,576	350	6,022	16	2,051	14,015
Additions	-	-	1,288	-	3,251	4,539
Disposals	-	-	(1,578)	-	(129)	(1,707)
Exchange differences	-	-	(132)	-	-	(132)
At 31 December 2019	5,576	350	5,600	16	5,173	16,715
Additions	-	616	3,254	-	5,917	9,787
Disposals	(2,360)	-	(399)	-	(148)	(2,907)
Transfer to correct analysis	499	-	(499)	-	-	-
Exchange differences	-	(29)	(26)	-	-	(55)
At 31 December 2020	**3,715**	**937**	**7,930**	**16**	**10,942**	**23,540**
Depreciation						
At 1 January 2019	844	118	3,856	12	663	5,493
Charge for the year	109	50	1,012	4	381	1,556
Reversal of past impairment	-	-	(36)	-	-	(36)
Disposals	-	-	(1,277)	-	(128)	(1,405)
Exchange adjustments	-	-	(105)	-	-	(105)
At 31 December 2019	953	168	3,450	16	916	5,503
Charge for the year	63	65	1,066	-	696	1,890
Disposals	(209)	-	(399)	-	(148)	(756)
Transfer	208	-	(208)	-	-	-
Exchange differences	-	(2)	(7)	-	-	(9)
At 31 December 2020	**1,015**	**231**	**3,902**	**16**	**1,464**	**6,628**
Net book value						
At 1 January 2019	4,732	232	2,166	4	1,388	8,522
At 31 December 2019	4,623	182	2,150	-	4,257	11,212
At 31 December 2020	**2,700**	**706**	**4,028**	**-**	**9,478**	**16,912**

The net book value has been allocated in the balance sheet as below:

	2020 £'000	2019 £'000	1 January 2019 £'000
Non-current assets			
Property, plant and equipment	**6,959**	6,480	7,134
Right-of-use assets	**9,478**	4,257	1,388
Current assets			
Assets classified as held for resale	**475**	475	–
Total net book value	**16,912**	11,212	8,522

The net book value of right-of-use assets by asset type is as below:

Leasehold property	**8,436**	2,940	446
Plant, fixtures, fittings and equipment	**1,042**	1,317	942
Total net book value	**9,478**	4,257	1,388

The Company holds no tangible fixed assets (2019: £nil).

Depreciation is charged to administrative expenses within profit or loss.

Included within property, plant and equipment above is freehold property with a net book value of £475,000 (2019: £475,000) which has been classified as 'held for sale'. The property has, since 2019, been actively marketed at an amount in excess of the value held in the accounts and was sold in February 2021.

18. Investments in subsidiaries

Company	Shares in Group undertakings £'000
Cost	
At 1 January 2019, 31 January 2019 and at 31 December 2020	65,898
Impairment	
At 1 January 2019, 31 January 2019 and at 31 December 2020	(50,714)
Net book value	
At 1 January 2019, 31 January 2019 and at 31 December 2020	**15,184**

The registered office of all subsidiaries is 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX except for:

Source BioScience Inc
6696 Mesa Ridge Road, San Diego, CA 92121, USA

Source BioScience Ireland Limited
Riverstown 5 Complex, Riverstown Industrial Estate, Tramore, Co. Waterford, Ireland

Select Pharma Laboratories Limited, Select Storage Solutions (Scotland) Limited and Source BioScience Scotland Limited
First Floor, Quay 2, 139 Fountainbridge, Edinburgh, EH3 9QG

18. Investments in subsidiaries (continued)

The subsidiary undertakings (all of which the Company owns a 100% interest in) and their respective activities were as follows as at 31 December 2020:

Subsidiary undertaking	Country of incorporation	Principal activity
Source BioScience Inc	United States	Provision of controlled environment storage and provision of diagnostic and genomic services and products
Source BioScience Germany GmbH[1]	Germany	Intermediate holding company
Source BioScience GmbH[1]	Germany	Non-trading
Source BioScience Ireland Limited	Ireland	Provision of controlled environment storage services and products
Select Pharma Laboratories Limited	Scotland	Non-trading
Source BioScience (Storage) Limited	England and Wales	Provision of controlled environment storage, services and products
Source BioScience (Orchard Place) Limited	England and Wales	Formerly property owning
Source BioScience UK Limited	England and Wales	Provision and distribution of diagnostic and genomic services and products
Source BioScience (Cryobank) Limited	England and Wales	Non-trading
Geneservice Limited	England and Wales	Non-trading
Fairfield Imaging Limited	England and Wales	Non-trading
Fairfield Telepathology Limited	England and Wales	Non-trading
Kinetic Imaging Limited	England and Wales	Non-trading
Medical Solutions (Leeds) Limited	England and Wales	Non-trading
Cryobank Guarantor Limited	England and Wales	Non-trading
Quinoderm Limited	England and Wales	Non-trading
Source BioScience (Healthcare) Limited	England and Wales	Non-trading
Select Storage Solutions (Scotland) Limited	Scotland	Non-trading
Source BioScience Limited	England and Wales	Holding Company
Source BioScience Scotland Limited	Scotland	Non-trading

[1] *These companies, both being dormant and superfluous, were liquidated following the year-end date.*

19. Inventories

Group	2020 £'000	2019 £'000	1 January 2019 £'000
Raw materials	**3,598**	775	1,287
Finished goods and goods for resale	**–**	41	111
Total	**3,598**	816	1,398

Inventories recognised as an expense during the year ended 31 December 2020 amounted to £20,991,000 (2019: £3,706,000). These were included in cost of sales. There is no material difference between the replacement cost of inventories and the amounts stated above. Inventory provisions of £18,000 for the year (2019: £nil) were deducted from gross stocks in the amounts above.

20. Trade and other receivables

	Group			Company		
	2020 £'000	2019 £'000	1 January 2019 £'000	**2020 £'000**	2019 £'000	1 January 2019 £'000
Amounts falling due within one year:						
Trade receivables	**8,686**	3,437	5,320	**–**	–	–
Less: provision for impairment of receivables	**(34)**	(282)	(182)	**–**	–	–
Net trade receivables	**8,652**	3,155	5,138	**–**	–	–
Amounts owed by subsidiary undertakings	**–**	–	–	**19,782**	4,153	3,688
Other receivables	**148**	1,028	534	**–**	–	–
Contract assets	**1,115**	431	588	**–**	–	–
Prepayments and accrued income	**557**	613	299	**–**	–	–
Total	**10,472**	5,227	6,559	**19,782**	4,153	3,688

Intra-Group borrowings are interest-free with amounts due repayable on demand. No provision is considered to be required on the amounts owed by subsidiary undertakings under IFRS 9 as expected losses are estimated to be immaterial given the strength of trading of the subsidiaries.

Credit risk is assessed by reference to the customer base and is considered low. Any trade receivables that are overdue are assessed for impairment and provision made where applicable. Historically low default levels give rise to specific provision only where responses to collection methods have given rise to such a view. In determining the recoverability of accounts receivable, the Group considers any changes in the credit quality of the accounts receivable from the date credit was initially granted up to the reporting date. The accounts receivables that are neither past due nor impaired relates to customers that the Group has assessed to be creditworthy based on the credit evaluation process performed by management, which considers both customers' overall credit profile and its payment history with Group. Having considered the impact of IFRS 9 the Directors concluded that the implementation would not materially impact on the provision already recognised. There was also no provision considered to be required on the contract assets in the current or prior year.

An analysis of the Group trade receivables is as follows:

	2020 Gross £'000	**2020 Net of impairment £'000**	**2020 provision applied %**	2019 Gross £'000	2019 Net of impairment £'000	2019 provision applied %
Not past due	**6,298**	**6,292**	**0.1%**	1,829	1,829	–
Past due 0 – 30 days	**1,908**	**1,906**	**0.1%**	923	920	0.1%
Past due 31 – 60 days	**321**	**321**	**–**	287	263	0.7%
Past due 61 – 90 days	**94**	**94**	**–**	96	61	1.0%
Past due 90+ days	**65**	**39**	**0.4%**	302	82	6.4%
Total	**8,686**	**8,652**	**0.6%**	3,437	3,155	8.2%

The movement in the provision is summarised below:

Group	**2020 £'000**	2019 £'000
Provision at start of the year	**282**	182
Charge for the year	**10**	100
Utilised in the year	**(258)**	–
Provision at end of the year	**34**	282

21. Cash and cash equivalents

	Group			Company		
	2020 £'000	2019 £'000	1 January 2019 £,000	**2020 £'000**	2019 £'000	1 January 2019 £'000
Cash and cash equivalents						
Cash at bank	**8,435**	1,235	1,038	**–**	–	–

During the period all cash balances were held in non-interest bearing accounts but, following the year-end date, arrangements were completed to place the majority of the Group's cash balances within interest bearing accounts.

22. Share capital

Group and Company	**2020**		2019		1 January 2019	
Issued and fully paid	**Number**	**£'000**	Number	£'000	Number	£'000
Ordinary shares of 1p each	**–**	**–**	290,549,917	2,905	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	290,549,917	2,905

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.

23. Description of the nature of each reserve within equity

Share capital

Share capital represents the value of all called up, allotted and fully paid shares of the parent Company.

Share premium account

The share premium account represents amounts received in excess of the nominal value of shares on the issue of new shares, net of any direct costs of any shares issued.

Foreign exchange reserve

The foreign exchange reserve records the cumulative exchange differences arising from the translation of the financial statements of overseas subsidiaries.

Retained earnings

Retained earnings comprises the Group's cumulative annual profits and losses.

24. Trade and other payables

	Group			Company		
Current	**2020 £'000**	2019 £'000	1 January 2019 £'000	**2020 £'000**	2019 £'000	1 January 2019 £'000
Trade payables	**2,400**	1,575	1,911	**–**	–	–
Other payables	**69**	245	194	**–**	–	–
Other tax and social security	**614**	361	597	**–**	–	–
Accruals	**797**	1,268	1,420	**64**	–	–
Contract liabilities	**1,614**	1,940	2,300	**–**	–	–
Total	**5,494**	5,389	6,422	**64**	–	–
Non-current						
Contract liabilities	**394**	365	400	–	–	–

The fair value of trade and other payables approximates to book value at each year-end. Trade payables are non-interest bearing and are normally settled monthly.

25. Borrowings

	Group			Company		
Current	**2020 £'000**	2019 £'000	1 January 2019 £'000	**2020 £'000**	2019 £'000	1 January 2019 £'000
Bank loans and overdrafts	–	1,000	4,600	–	–	–
Other loans	–	23,403	20,731	–	23,403	20,731
Total	–	24,403	25,331	–	23,403	20,731
Non-current						
Bank loans and overdrafts	–	3,850	1,250	–	–	–
Other loans	–	67,687	61,674	–	67,687	61,674
Total	–	71,537	62,924	–	67,687	61,674

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. Further details are provided in note 22.

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).

26. Lease liabilities

This note provides information for leases where the Group is a lessee. The balance sheet includes the following amounts in relation to leases:

	Group			Company		
	2020 £'000	2019 £'000	1 January 2019 £'000	**2020 £'000**	2019 £'000	1 January 2019 £'000
Current	**547**	656	454	**–**	–	–
Non-current	**11,602**	3,449	857	**–**	–	–
Total	**12,149**	4,105	1,311	**–**	–	–

The Group had total cash outflows for leases of £992,000 in 2020 (2019: £866,000). The lease liabilities are calculated based on a discounted total of future lease payments and therefore include an element of financing costs.

27. Deferred tax

The following are the deferred tax assets and liabilities recognised by the Group:

Group **Deferred tax assets / (liabilities)**	Tax losses £'000	Accelerated tax depreciation £'000	Leases £'000	Other £'000	Total £'000
At 1 January 2019	–	10	–	–	10
Credited to the profit and loss account	–	20	–	–	20
At 31 December 2019	–	30	–	–	30
(Credited) / charged to the profit and loss account	–	204	(559)	(70)	(425)
At 31 December 2020	**–**	**234**	**(559)**	**(70)**	**(395)**

28. Provisions

Group	Onerous contracts £'000	Employment matters £'000	Total £'000
At 1 January 2019	240	400	640
Reversal in the year	–	(154)	(154)
Utilisation of provision	(65)	(246)	(311)
At 31 December 2019	175	–	175
Utilisation of provision	(18)	–	(18)
At 31 December 2020	**157**	**–**	**157**

28. Provisions (continued)

Group	Onerous contracts £'000	Employment matters £'000	Total £'000
Due in less than one year	24	400	424
Due in more than one year	216	–	216
At 1 January 2019	240	400	640
Due in less than one year	15	–	15
Due in more than one year	160	–	160
At 31 December 2019	175	–	175
Due in less than one year	**16**	**–**	**16**
Due in more than one year	**141**	**–**	**141**
At 31 December 2020	**157**	**–**	**157**

The provisions disclosed above comprise of:

- an onerous contract provision relating to future expected losses on a long-term cryogenic storage contract where the associated direct costs over the contract period are expected to be in excess of the revenue. The provision is expected to be utilised over the next 20 years.
- the other provisions related to employment related matters.

There were no provisions recorded in the Company (2019: £nil).

29. Financial instruments and risk management

The Group's financial instruments may be analysed as follows:

	2020 £'000	2019 £'000
Financial assets measured at amortised cost		
Cash and cash equivalents	**8,435**	1,235
Trade receivables	**8,652**	3,155
Other receivables	**148**	1,028
Total	**17,235**	5,418
Financial liabilities measured at amortised cost		
Trade payables	**2,400**	1,575
Other payables	**69**	245
Accruals	**797**	1,268
Bank loans	**–**	4,850
Other loans	**–**	91,090
Lease liabilities	**12,149**	4,105
Total	**15,415**	103,133

Financial assets measured at amortised cost comprise cash, trade receivables, other receivables and contract assets.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, other loans, trade payables, other payables, accruals and lease liabilities.

The debt instruments were initially recognised at fair value, and subsequently they were measured at amortised cost using the effective interest rate method, whereby the fair value of the debt approximates their carrying value.

The Group is exposed to a variety of financial risks through its use of financial instruments which result from its operating activities. All of the Group's financial instruments are classified as loans and receivables.

The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below:

Credit risk

Generally, the Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the reporting date, as summarised below:

	2020 £'000	2019 £'000
Trade receivables	**8,652**	3,155
Other receivables	**148**	1,028
Contract assets	**1,115**	431
Cash and cash equivalents	**8,435**	1,235
Total	**18,350**	5,849

Credit risk is the risk of financial risk to the Group if a counter party to a financial instrument fails to meets its contractual obligation. The nature of the Group's receivable balances, the time taken for payment by entities and the associated credit risk are dependent on the type of engagement.

Credit risk is minimised substantially by ensuring the credit worthiness of the entities with which it carries on business. Credit terms are provided on a case-by-case basis. The Group's trade and other receivables are actively monitored. The Group has not experienced any significant instances of non-payment from its customers.

Provisions made against receivables at the year-end were £34,000 (2019: £282,000).

Unbilled revenue is recognised by the Group only when all conditions for revenue recognition have been met in line with IFRS 15.

Liquidity risk

Liquidity risk represents the contingency that the Group is unable to gather the funds required with respect to its financial obligations at the appropriate time and under reasonable conditions in order to meet their current obligations. The Group attempts to manage this risk so as to ensure that it has sufficient liquidity at all times to be able to honour its current and future financial obligations under normal conditions and in exceptional circumstances. Financing strategies to ensure the management of this risk include the issuance of equity or debt securities as deemed necessary.

29. Financial instruments and risk management (continued)

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the tables are the contractual undiscounted cash flows. Contractual maturities of financial liabilities as at 31 December 2020 are as follows:

	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000	Carrying value per balance sheet £'000
Trade and other payables	2,400	–	–	2,400	2,400
Lease liabilities	923	3,650	12,539	17,112	12,149
Total	**3,323**	**3,650**	**12,539**	**19,512**	**14,549**

Contractual maturities of financial liabilities as at 31 December 2019 are as follows:

	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000	Carrying value per balance sheet £'000
Trade and other payables	1,575	–	–	1,575	1,575
Borrowings	24,403	71,537	–	95,940	95,940
Lease liabilities	761	2,171	1,924	4,856	4,105
Total	26,739	73,708	1,924	102,371	101,620

Impact of discounting on lease liabilities

Total lease liabilities showing the impact of discounting on cash flows are as follows:

	2020 £'000	2019 £'000
Undiscounted lease liabilities	**17,112**	4,856
Effects of discounting	**(4,963)**	(751)
Discounted lease liabilities	**12,149**	4,105

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates. The Group's exposure to interest rate risk is based on short-term fixed interest rates for both cash and convertible debt.

The loan facilities that the Group had in place during part of 2020 were exposed to interest rate risk. Included within loans and borrowings for the prior year is a bank loan, which is exposed to interest rate risk as interest is charged on the bank loan at the aggregate of the applicable margin and LIBOR. The applicable margin varies between 2.9% and 3.75%. The balance on the term loan and credit facility was £nil at the year-end date (2019: £4,850,000).

For the prior year, the Group has used a sensitivity analysis technique that measured the estimated change to the Statement of Comprehensive Income and Equity of a 1% increase or decrease in interest rates for each class of financial instrument, with other variables remaining unchanged. The sensitivity analysis is based on the assumptions that changes in market interest rates affect the interest of variable interest financial instruments.

Under these assumptions, a 1% increase or decrease in market interest rate for all financial liabilities held by the Group would have increased/(decreased) the profit before tax and equity by the following amounts:

	2020 £'000	2019 £'000
1% increase	–	(49)
1% decrease	–	49

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily US Dollars and Euros. The Group monitors exchange rate movements closely and ensure adequate funds are maintained in appropriate currencies to meet known liabilities.

The Group exposure to foreign currency risk at the end of the respective reporting period was as follows:

	2020		2019	
	USD'000	**EUR'000**	USD'000	EUR'000
Cash	**100**	**238**	138	179
Other monetary assets and liabilities	**301**	**607**	948	3,679

Assets and liabilities include the monetary assets and liabilities of subsidiaries denominated in foreign currency.

The Group is exposed to foreign currency risk on the relationship between the functional currencies of Group companies and the other currencies in which the Group's material assets and liabilities are denominated. The table below summarises the effect on profit before tax and on equity had each foreign currency relevant to the Group weakened or strengthened against the Group's functional currency, with all other variables held constant.

	2020		2019	
10% weakening versus functional currency	**USD'000**	**EUR'000**	USD'000	EUR'000
Profit before tax	**28**	**(38)**	15	31
Equity	**(484)**	**500**	157	442

	2020		2019	
10% strengthening versus functional currency	**USD'000**	**EUR'000**	USD'000	EUR'000
Profit before tax	**(23)**	**(35)**	(12)	29
Equity	**396**	**(409)**	(128)	(361)

The impact of a change of 10% has been selected as this has been considered reasonable given the current level of exchange rates and the volatility observed both on a historical basis and market expectations for future movements.

29. Financial instruments and risk management (continued)

Fair value of financial instruments

The fair values of all financial assets and liabilities approximates their carrying value.

Capital management

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

Consistent with others in the industry, the Group monitors capital on the basis of the debt to capital ratio. This ratio is calculated as net debt to capital as defined above. Net debt, being a negative number, is calculated as total debt (as shown in the Group Statement of Financial Position) less cash and cash equivalents.

Group	**2020 £'000**	2019 £'000
Borrowings	**–**	(95,940)
Lease liabilities	**(12,149)**	(4,105)
Cash and cash equivalents	**8,435**	1,235
Net debt	**(3,714)**	(98,910)
Share capital	**111**	2,906
Debt to equity ratio	**3,346%**	3,403%

Group	**2020 £'000**	2019 £'000
Gross borrowings - fixed interest rates	**–**	(91,090)
Gross borrowings - variable interest rates	**(12,149)**	(8,955)
Cash and cash equivalents	**8,435**	1,235
Net debt	**(3,714)**	(98,910)

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Liabilities from financing activities					Other assets	
Group	Bank borrowings £'000	Shareholder borrowings £'000	Shareholder PIK notes £000	Leases £'000	Subtotal £'000	Cash and cash equivalents £'000	Total £'000
Net (debt) / cash at 1 January 2019	(5,850)	(20,731)	(61,674)	(1,311)	(89,566)	1,038	(88,528)
Cash flows - borrowings repaid	1,000	–	–	–	1,000	(1,000)	–
Accrued interest added to borrowings	–	(2,672)	(6,013)	–	(8,685)	–	(8,685)
New leases	–	–	–	(3,557)	(3,557)	–	(3,557)
Capital repayment of lease liabilities	–	–	–	763	763	(763)	–
Net foreign exchange on cash and cash equivalents	–	–	–	–	–	(9)	(9)
Cash flows from operating activities	–	–	–	–	–	2,853	2,853
Purchase of tangible and intangible assets	–	–	–	–	–	(987)	(987)
Proceeds on disposal of tangible assets	–	–	–	–	–	406	406
Interest paid	–	–	–	–	–	(303)	(303)
Net (debt) / cash at 31 December 2019	(4,850)	(23,403)	(67,687)	(4,105)	(100,045)	1,235	(98,810)
Cash flows - net proceeds from share issues	–	–	–	–	–	31,760	31,760
Cash flows - new borrowings secured	(1,000)	(1,000)	–	–	(2,000)	2,000	–
Cash flows - borrowings repaid	5,850	24,403	–	–	30,253	(30,253)	–
Accrued interest added to borrowings	–	(2,549)	(4,971)	–	(7,520)	–	(7,520)
New leases	–	–	–	(8,938)	(8,938)	–	(8,938)
Capital repayment of lease liabilities	–	–	–	894	894	(894)	–
Net foreign exchange on cash and cash equivalents	–	–	–	–	–	7	7
Cash flows from operating activities	–	–	–	–	–	6,340	6,340
Purchase of tangible and intangible assets	–	–	–	–	–	(4,010)	(4,010)
Proceeds on disposal of tangible assets	–	–	–	–	–	5,000	5,000
Interest paid	–	2,549	–	–	2,549	(2,750)	(201)
Redemption in exchange for issuance of shares	–	–	72,658	–	72,658	–	72,658
Net cash / (debt) at 31 December 2020	**–**	**–**	**–**	**(12,149)**	**(12,149)**	**8,435**	**(3,714)**

30. Financial commitments

Group

Contracted, but not provided, capital commitments at the year-end was £154,000 (2019: £nil).

Company

The Company had no capital commitments at the year-end (2019: £nil).

31. Contingent liabilities

Under the terms of the Group's banking facilities, the Company was liable for the repayment and discharge of all monies owing in respect of the bank borrowings of certain subsidiary undertakings. At the year-end this amounted to £nil (2019: £4,900,000).

32. Related party disclosures

Transactions with related parties

These relate to interest accrued on PIK loan notes and other loan notes, detailed as follows:

	2020 £'000	2019 £'000
Entities with control, joint control or significant influence over the Group	**5,183**	6,792

Amounts due to related parties

Entities with control, joint control or significant influence over the Group	**–**	66,619

Remuneration

The remuneration of key management personnel of the Group, which includes the Directors, is disclosed in note 10.

Related companies

On 29 October 2020, the Group completed the sale of the freehold property at 1 Orchard Place, Nottingham Business Park, Nottingham NG8 6PX for the sum of £5 million to 1 Orchard Place (Freehold) Limited, a company incorporated in England and Wales, which was related by virtue of Christopher Mills being a common director. A lease was granted by 1 Orchard Place (Freehold) Limited to Source BioScience UK Limited for a term of 25 years at an initial annual rent of £350,000 (excluding VAT) to increase annually at rate of 3% on each anniversary of the lease term. During the year the Group incurred rental costs from 1 Orchard Place (Freehold) Limited totalling £55,000 which was paid in the year.

The Group was related to EKF Diagnostics Holdings PLC ("EKF"), a company incorporated in England and Wales, by virtue of Christopher Mills being a common director. During the year the Group made purchases of COVID-19 related consumables from EKF totalling £140,000. An amount of £70,000 was due to EKF at the year-end date.

The Group was related to Consilium Financial Limited, a company incorporated in England and Wales, by virtue of Tony Ratcliffe being a common director. During the year prior to his appointment to the Board on 23 October 2020, the Group made purchases of outsourced financial consulting services from Consilium Financial Limited of £128,000.

The Group was related to Growth Financial Services Limited, a company incorporated in England and Wales, by virtue of Christopher Mills being a common director. During the year the Group received an interest-free working capital advance of £1,000,000 during the year to support the establishment of the Infectious Disease Testing business unit. This advance was fully repaid in September 2020.

All transactions with related parties are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting ("AGM" or "Meeting") of SourceBio International plc (the "Company") will be held at 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX and by means of electronic facility on 14 June 2021 at 1pm.

Introduction

In light of the COVID-19 related Government measures which are presently in place to restrict social gatherings, and overriding health and safety concerns, the Company has decided to hold this year's AGM as a closed physical meeting. A very limited number of Company personnel will be present to conduct the Meeting such that the minimum quorum requirements can be met. Shareholders will not be entitled to attend the Meeting in person.

Shareholders wishing to vote on any of the matters of business are strongly advised to appoint the Chairman of the Meeting as their proxy. If you attempt to appoint a named individual other than the Chairman of the Meeting, such individual will not be permitted to attend the Meeting and instead you will be deemed to have appointed the Chairman of the Meeting as your proxy. Shareholders may appoint a proxy through completion of a form of proxy, which can be submitted to the Company's Registrar online at sharevote.co.uk. Alternatively, should you wish to vote via the CREST system, please see the instructions in the Explanatory Notes to the Notice of Meeting. For your vote to be valid please ensure it is received no later than 1pm on 10 June 2021.

The Company will provide a facility for shareholders to join the AGM either online or telephonically virtually via the Investor Meet Company ("IMC") platform and the Company's Executive Chairman, Jay LeCoque, will provide shareholders with a short presentation after the formal business of the AGM concludes, which will be made available on the Company's website after the event. There will be an opportunity for shareholders to ask questions. In order to facilitate the process, the Board would request that shareholders register for the Meeting and submit questions in advance, before 5pm on 10 June 2021. The Company is committed to ensuring that there are appropriate communication structures for all elements of its shareholder base so that its strategy, business model and performance can be clearly understood. Questions can be submitted pre-event via your IMC dashboard or at any time during the live presentation via the "Ask a Question" function. Although the Company may not be in a position to answer every question it receives, it will address the most prominent ones within the confines of information already disclosed to the market. Responses to the Q&A from the live presentation will be published at the earliest opportunity on the IMC platform.

Investors can sign up to IMC for free and add to meet SourceBio International plc via:

https://www.investormeetcompany.com/sourcebio-international-plc/register-investor

Investors who have already registered for the IMC platform and added to meet the Company will be automatically invited.

Investors who have already registered via Walbrook PR, are encouraged to sign up to the IMC platform

NOTICE OF ANNUAL GENERAL MEETING (continued)

You will be asked to consider and vote on the resolutions below. All resolutions will be proposed as ordinary resolutions save for resolutions 14 and 15 which will be proposed as special resolutions.

1. To receive and approve the Company's Annual Report and Accounts for the financial year ended 31 December 2020 together with the Directors' Report (including the Strategic Report) and the Auditor's Report.
2. To receive and approve the Directors' Remuneration Report for the financial year ended 31 December 2020, excluding the proposed remuneration policy, executive share options plan and Save As You Earn ("SAYE") scheme (all as set out on pages 46 to 50 of the Annual Report and Accounts).
3. To approve the proposed remuneration policy expected to be applied in 2021, the full text of which is set out on pages 48 to 50 of the Annual Report and Accounts.
4. To approve the establishment and implementation of a proposed executive share options plan, the principal terms of which are set out on page 49 of the Annual Report and Accounts.
5. To approve the establishment and implementation of a proposed SAYE scheme, the principal terms of which are set out on page 48 to 50 of the Annual Report and Accounts.
6. To re-elect Jay LeCoque, Executive Chairman, who pursuant to the Articles of Association of the Company and this being the first AGM of the Company, and being eligible, offers himself for re-election as a Director.
7. To re-elect Tony Ratcliffe, Chief Financial Officer, who pursuant to the Articles of Association of the Company and this being the first AGM of the Company, and being eligible, offers himself for re-election as a Director.
8. To re-elect Sir Ian Carruthers, Senior Independent Non-Executive Director, who pursuant to the Articles of Association of the Company and this being the first AGM of the Company, and being eligible, offers himself for re-election as a Director.
9. To re-elect Simon Constantine, Independent Non-Executive Director, who pursuant to the Articles of Association of the Company and this being the first AGM of the Company, and being eligible, offers himself for re-election as a Director.
10. To re-elect Marco Fumagalli, Non-Executive Director, who pursuant to the Articles of Association of the Company and this being the first AGM of the Company, and being eligible, offers himself for re-election as a Director.
11. To re-elect Christopher Mills, Non-Executive Director, who pursuant to the Articles of Association of the Company and this being the first AGM of the Company, and being eligible, offers himself for re-election as a Director.
12. To re-appoint RSM UK Audit LLP as auditor of the Company to hold office from the conclusion of the Meeting until the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the Directors to fix their remuneration.
13. That in substitution for any existing such authority, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to allot equity securities (as defined by section 560 of the 2006 Act) of the Company:
    i. up to a maximum nominal amount of £11,128 (in pursuance of the exercise of outstanding share options and any other potential shares granted by the Company (pursuant to an "employees' share scheme" (as defined by 1166 CA 2006)) but not for any other purpose);
    ii. up to an aggregate nominal amount of £33,772 (in addition to the authorities conferred in sub-paragraphs (i) above) representing approximately 33% of the Company's Issued Share Capital,

    such authorities (unless previously renewed, revoked or varied) to expire at the conclusion of the next AGM of the Company to be held in 2022, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities (as defined by section 560 of the 2006 Act) to be allotted after such expiry and the Directors may allot such equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
14. That, subject to the passing of the above resolution the Directors be given the general power to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by the resolution above as if section 561(1) of the 2006 Act did not apply to any such allotments provided that this power shall be limited to:
    (i) the allotment of equity securities on the exercise of the share options granted by the Company;
    (ii) the allotment of equity securities (otherwise than pursuant to sub-paragraph (i) above) for cash in connection with any rights issue or pre-emptive offer in favour of holders of equity securities generally; and

(iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities for cash up to an aggregate nominal amount of £11,128 representing approximately 10% of the Company's Issued Share Capital;

provided that such power (unless previously renewed, revoked or varied) shall expire at the conclusion of the AGM of the Company to be held in 2022, save that the Company may, before such power expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such power expires and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

15. That with effect from the conclusion of the Meeting the Articles of Association of the Company be amended by deleting article 35.2 and replacing it with the following new article 35.2:

"*Article 35.2 Every notice calling a meeting shall specify*

35.2.1 whether the meeting shall be a physical or electronic meeting or a hybrid meeting;

35.2.2 in the case of a physical meeting and/or hybrid meeting, the place, date and time of the meeting; and

35.2.3 in the case of an electronic and/or hybrid meeting, the date, time and electronic platform for the meeting, which electronic platform may vary from time to time and from meeting to meeting as the Board, in its sole discretion, sees fit."

By order of the Board

Tony Ratcliffe
Company Secretary

Registered office:
1 Orchard Place
Nottingham Business Park
Nottingham
NG8 6PX

14 May 2021

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. As a result of the public safety measures introduced by the UK Government in response to the COVID-19 pandemic, shareholders are not permitted to attend the AGM in person. Every eligible shareholder is, however, entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the AGM. Shareholders who wish to participate in the Meeting should appoint the Chairman of the Meeting as their proxy in order to do so. No other person(s) purported to be appointed as proxy will be permitted to attend the Meeting in person. In such circumstances, if a shareholder appoints some other person or persons as proxy, such shareholder shall be deemed to have appointed the Chairman of the Meeting and not the other named person(s) as proxy.
2. The right to vote at the Meeting shall be determined by reference to the register of members of the Company. Only those persons whose names are entered on the register of members of the Company at 6:30pm on 10 June 2021, or, if the Meeting is adjourned, at 6:30pm on the date falling two days prior to the date of the adjourned Meeting, shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after the times specified above shall be disregarded in determining the rights of any person to attend and/or vote at the relevant meeting.
3. The Company will provide a facility for members to join the Meeting either online or telephonically and there will be an opportunity for shareholders to ask questions. In order to facilitate this process, the Board would request that Members register for the Meeting and submit questions in advance, before 5pm on 10 June 2021. To register for dial-in details and to submit any questions, please contact the Company Secretary at companysecretary@sourcebioscience.com.
4. The information which the Company is required to publish in advance of the Meeting by virtue of section 311A of the Act can be accessed via www.sourcebiointernational.com
5. As a member of the Company you are entitled to attend and vote at the Meeting convened by this Notice and are entitled to appoint one or more proxies to exercise any of your rights to attend, speak and vote at that Meeting on your behalf. If a member appoints more than one proxy, each proxy must be entitled to exercise the rights attached to different shares held by that member. You may not appoint more than one proxy to exercise rights attaching to any one share. To appoint more than one proxy, you must complete a separate Form of Proxy, or alternatively, additional proxy forms can be obtained from Equiniti Limited on telephone 0371 384 2030 (lines open 8:30am to 5:30pm, Monday to Friday) or for overseas shareholders +44(0)121 415 7047. If the proxy instruction is one of multiple instructions being given, please tick the box provided beneath the resolutions. You should also indicate the number of shares for which each proxy is authorised in respect of your full voting entitlement. A proxy need not be a member of the Company. Please note that as a result of the public safety measures introduced by the UK Government in response to the COVID-19 pandemic, shareholders are not permitted to attend the AGM in person and are strongly encouraged to appoint the Chairman of the Meeting as their proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the AGM. For more information, please see Note 1 above.
6. A proxy may only be appointed using the procedures set out in the notes to the Notice of AGM and these notes. To appoint a proxy, a member may complete, sign and date the enclosed proxy form and deposit it at the office of the Company's Registrar, Equiniti, at Aspect House, Spencer Road, Lancing BN99 6DA no later than 48 hours before the start of the Meeting. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form. In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. If you have not received a proxy form and believe that you should have one, or if you require additional proxy forms, please contact Equiniti on 0371 384 2030 (+44 (0)121 415 7047 if you are calling from outside the UK). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Please note that due to the Government restrictions as a result of the COVID-19 pandemic, shareholders wishing to appoint a proxy are strongly encouraged to appoint the Chairman of the Meeting as their proxy. For more information please refer to Note 1 above.
7. You may, if you wish, register the appointment of a proxy electronically by logging on to www.sharevote.co.uk. To use this service you will need your Voting ID, Task ID and Shareholder Reference Number, printed on the proxy form. Full details of the procedure are given on the website. For an electronic proxy appointment to be valid, your appointment must be received by Equiniti no later than 48 hours before the start of the Meeting.

Please note that due to the Government restrictions as a result of the COVID-19 pandemic, shareholders wishing to appoint a proxy are strongly encouraged to appoint the Chairman of the Meeting as their proxy. For more information please refer to Note 1 above.

8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST sponsors who have appointed a voting service provider(s), should refer to their CREST sponsors or voting service providers, who will be able to take the appropriate action on their behalf. Please note that due to the Government restrictions as a result of the COVID-19 pandemic, shareholders wishing to appoint a proxy are strongly encouraged to appoint the Chairman of the Meeting as their proxy. For more information please refer to Note 1 above.

9. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited (Euroclear UK & Ireland) and must contain the information required for such instructions as described in the CREST manual. The message must be transmitted so as to be received by the Company's agent (ID RA19) by the latest time for receipt of proxy appointments specified in the Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors and voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

13. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

14. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

15. A corporation which is a member of the Company may authorise one or more persons (who need not be a member of the Company) to attend, speak and vote at the Meeting as the representative of that corporation, provided that they do not do so in relation to the same shares. A certified copy of the Board resolution of the corporation appointing the relevant person as the representative of that corporation in connection with the Meeting must be deposited at the office of the Company's Registrar prior to the commencement of the Meeting.

16. Completion of the proxy form does not preclude attendance at the Meeting. If you wish to attend the Meeting in person, only those persons whose names are entered on the register of members of the Company at 6:30pm on 10 June 2021 or, if the Meeting is adjourned, at 6:30pm on the date falling two days prior to the date of the adjourned Meeting, shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after the times specified above shall be disregarded in determining the rights of any person to attend and/or vote at the relevant meeting. Please note that anyone seeking to physically attend the AGM will be refused entry.

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING (continued)

17. Members who wish to communicate with the Company by electronic means in connection with the matters set out in this Notice may do so by contacting the Company at companysecretary@sourcebioscience.com on or before 6:30pm on 10 June 2021. Shareholders who have general queries about the Meeting should contact the Company Secretary at companysecretary@sourcebioscience.com.
18. It is not permissible to use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
19. As at 12.00pm on 12 April 2021 (the date on which the Report of the Directors was signed), the Company's issued share capital comprised 74,183,038 ordinary shares of 0.15p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 12.00pm on 12 April 2021 is 74,183,038. The Company's website will include information on the number of shares and voting rights.
20. Subject to the provisions of section 319A of the Act, at the Meeting the Company must cause to be answered any question relating to the business being dealt with at the Meeting put by a member attending the Meeting. An answer need not be given if:
    - answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
    - the answer has already been given on a website in the form of an answer to a question; or
    - it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
21. Copies of the service contracts and letters of appointment of the Directors and the Non-Executive Directors of the Company are available for inspection at the Company's registered office during normal business hours.
22. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.
23. If you have sold or transferred all of your shares in the Company, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Ordinary Resolutions

Resolution 1 - Annual Report and Accounts

This is a standard resolution common to all Annual General Meetings.

Resolution 2 - Remuneration report

The Directors' Remuneration Report in the 2020 Annual Report and Accounts contains:

- the annual statement by Sir Ian Carruthers, Chairman of the Remuneration Committee
- the annual report on remuneration which sets out payments made during the financial year ended 31 December 2020 and explains how the remuneration policy was implemented in 2020

Sir Ian Carruthers' annual statement and the annual report on remuneration are set out on pages 46 to 50 of the Annual Report and Accounts.

Resolution 3 - Remuneration policy

The proposed remuneration policy can be found on pages 48 to 50 of the Annual Report and Accounts. It sets out the proposed policy of the Company to be adopted with respect to the making of remuneration payments and includes details of the proposed executive share options plan and SAYE scheme.

Resolution 4 - Executive share options plan

Resolution 4 is to approve the establishment and implementation of the proposed executive share options plan, the principal terms of which are set out at page 49 of the Annual Report and Accounts.

In summary, it is proposed that the Executive Directors, Executive Management team and selected senior managers will be eligible for share options granted under the plan. Approval over a total of 8% of the issued share capital is sought for the proposed executive share options plan.

Resolution 5 - SAYE Scheme

Resolution 5 is to approve the establishment and implementation of the proposed SAYE scheme, which would be open to all employees, the principal terms of which are set out at page 49 of the Annual Report and Accounts. Approval over a total of 2% of the issued share capital is sought for the proposed SAYE Scheme.

Resolutions 6 to 11 - Election of Directors

Under the Articles of Association and in accordance with the UK Corporate Governance Code, all Directors will stand for re-election at this, the first Annual General Meeting of the Company.

Each of the Directors have indicated their willingness to offer themselves for election. The Board, having considered the mix of skills, knowledge and experience of the Directors confirms that each Director continues to perform their duties effectively, showing integrity and high ethical standards whilst maintaining sound, independent judgement in respect of all decisions taken at both Board and, where applicable, Committee level.

Biographical details for each of the Directors are located on pages 28 and 29 of the Annual Report and Accounts.

Resolution 12 - Re-Appointment of auditor

The Company is required to appoint an auditor at each meeting at which accounts are presented. RSM UK Audit LLP have indicated their willingness to be re-appointed to office. Accordingly, resolution 12, subject to the approval of the shareholders of the Company, appoints RSM UK Audit LLP as auditor of the Company and authorises the Directors to determine the remuneration of the auditor.

Resolution 13 - Directors' power to allot equity securities

Generally, the Directors may only allot shares in the Company (or grant rights to subscribe for, or to convert any security into, shares in the Company) if they have been authorised to do so by shareholders.

Special Resolutions

Resolution 14 - Disapplication of pre-emption rights

The right of pre-emption will not apply to allotments made under resolution 13.

Resolution 15 - Amendment to Company's articles of association

The Company's articles are to be changed to explicitly allow general meetings (including AGMs) to be held by partly electronic facilities.

DIRECTORS, OFFICERS AND ADVISORS

Directors

Jay LeCoque
Executive Chairman

Tony Ratcliffe
Chief Financial Officer

Sir Ian Carruthers OBE
Senior Independent
Non-Executive Director

Simon Constantine
Independent Non-Executive Director

Marco Fumagalli
Non-Executive Director

Christopher Mills
Non-Executive Director

Company Secretary
Tony Ratcliffe

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Registered Number
10269474

Advisors

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Nottingham
NG1 5FS

Nominated Advisor and Broker
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Level 12
25 Ropemaker Street
London EC2Y 9LY

Principal Banker
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3 Hardman Street
1st Floor
Spinningfields
Manchester
M3 3HF

Legal Advisor
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One Bartholomew Close
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Registrar
Equiniti Limited
Aspect House
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Group Locations

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Riverstown Industrial Estate
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Co. Waterford
Republic of Ireland

Dublin City University
NRF Building
Glasnevin Campus
Dublin 9
Republic of Ireland

USA
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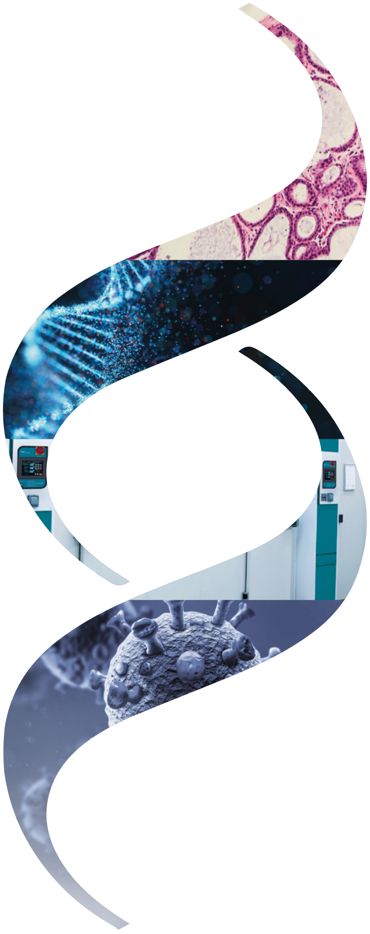
USA

SourceBio
International plc



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