28 September 2021

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

Half Year Report
For the six months ended 30 June 2021

Strong revenue and earnings growth versus prior year H1, fuelled by COVID-19 testing
Return of the Group's core business units to more normalised pre-pandemic operating levels

SourceBio International plc (AIM: SBI), a leading international provider of integrated state-of-the-art laboratory services and products, announces its unaudited half year results for the six months ended 30 June 2021, showing considerable growth in revenues, earnings and cash generation year-on-year.

Financial highlights

- Revenue increased by 252% to £37.3 million (H1 2020: £10.6 million)
- Gross profit increased by 252% to £16.0 million (H1 2020: £4.6 million)
- Adjusted EBITDA[1] increased by 570% to £11.2 million (H1 2020: £1.7 million)
- Adjusted EPS[2] increased substantially to 10.7 pence per share (H1 2020: loss of 0.2 pence per share), basic and diluted EPS increased more substantially to 10.7 pence per share (H1 2020: loss of 8.0 pence per share)
- Cash generated from operations increased by 747% to £11.4 million (H1 2020: £1.3 million) with strong cash conversion, exceeding adjusted EBITDA
- Cash balance of £17.2 million (31 December 2020: £8.4 million and 30 June 2020: £1.5 million) with no debt (30 June 2020: £101.3 million)

1 Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation ('EBITDA') adjusted for exceptional items (see note 5)
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 8)

Operational highlights

- A total of 613,987 RT-PCR tests completed in the first half of 2021 making a cumulative 1,372,203 completed since the commencement of COVID-19 testing services in May 2020.
- Cellular Pathology services returned to pre COVID-19 levels of business in the second quarter of 2021, bringing all core business units back to normal levels of activity and showing growth in the second quarter versus the first quarter.

Post-period end highlights

- The ramp-up in RT-PCR COVID-19 testing has continued since the half year-end as the demand had increased following the opening up of travel and relaxation of restrictions. So far in September, PCR testing throughput has been approximately 14,000 tests per day, compared to August PCR testing which averaged 10,824 tests per day and July PCR testing which averaged 6,868 tests per day. This compares to June PCR testing throughput which averaged 3,673 tests per day and H1 2021 PCR testing which averaged 3,392 tests per day. Peak testing volumes have hit approximately 19,300 tests per day. However, the changes in the travel guidelines announced on 17 September are expected to materially reduce the throughput and revenues generated from PCR testing.
- Appointment of Nick Bills, formerly the National Pathology Manager for Nuffield Health, as Director of Healthcare, to lead the Healthcare Diagnostics and Infectious Disease Testing business units.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as amended by The Market Abuse (Amendment) (EU Exit) Regulations 2019. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

Jay LeCoque, Executive Chairman, commented*: "We are very pleased with progress in the first half of 2021. As we reported in July, the Group has looked forward to capitalising on further opportunities in the second half, in particular*

driven by travel related COVID-19 testing and we have been delighted to see increased PCR testing throughput materialising in the third quarter of 2021. However, as recently reported, the recent news relating to changes in the travel testing requirements will materially impact our estimated level of PCR testing post October with a consequential impact on revenues for the year. However, we are well positioned to accelerate the rollout of lateral flow technology following the signing of two commercial deals, with Excalibur Healthcare and Everything Genetic, which is expected to mitigate some of the reduction in PCR testing. We are also particularly pleased to see the continued momentum in our Healthcare Diagnostics business unit as demand for Cellular Pathology services accelerates and the recovery of elective surgeries gathers pace. Our search for complementary M&A targets to drive further growth in revenues and earnings is progressing well. We anticipate a very busy fourth quarter of 2021 and financial year 2022."

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

- **Infectious Disease Testing** - a range of COVID-19 testing services for commercial enterprises, private healthcare groups, NHS and the DHSC. Utilising multiple technologies, SourceBio offers screening, gold standard RT-PCR and whole genome sequencing COVID-19 testing solutions and operates under ISO 15189 accreditation required by the DHSC. SourceBio also provides employee testing solutions to industry, and direct to consumer home test kits (including "Fit to Fly", "Test to Release" and "Day 2 & Day 8 International Travel" approved tests).

- **Healthcare Diagnostics** - histopathology cancer screening and clinical diagnostic services for the NHS and private healthcare across the UK and Ireland.

- **Genomics** - DNA sequencing services for pharmaceutical and biotechnology companies, academia, contract research organisations (CROs) and other research groups in the UK, Europe and North America.

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

More details on Group operations can be found here: www.sourcebioscience.com.

SourceBio International plc (SBI) is listed on the AIM market of the London Stock Exchange.

Executive Chairman's Review

Summary of the six months ended 30 June 2021

I am pleased to report a busy half year of significant achievement in the business.

The key performance indicators currently used by the Group are revenue, gross profit, adjusted EBITDA and cash resources. In this regard, revenues for the first half increased to £37.3 million, an increase of 252% on the prior first half revenues of £10.6 million, gross profit increased to £16.0 million, an increase of 252% on the prior first half gross profit of £4.6 million, and adjusted EBITDA increased to £11.2 million, a level almost seven-fold that of the prior first half adjusted EBITDA of £1.7 million. Cash balances at 30 June totalled £17.2 million with no bank and shareholder borrowings, compared to cash of £8.4 million at 31 December 2020. The Company's IPO in October 2020 transformed the Group's balance sheet and this has been further bolstered by strong cash conversion driven by a strong focus on working capital management. Further details of the financial performance can be found in the Chief Financial Officer's Review and within the financial statements.

The Group continues to respond to a very fast-moving COVID-19 testing marketplace and has continued to offer PCR testing services in the first half, at scale. The Group has successfully diversified its customer base to reduce the reliance on the Department of Health and Social Care (DHSC), who underpinned testing in 2020. The Board pivoted to build additional capacity and secure the anticipated increased demand for PCR testing over the summer as travel restrictions were lifted. The second quarter therefore drove an expansion programme to build further PCR testing capacity ahead of this expected increase in demand, which pleasingly has materialised during the third quarter of the year, creating record PCR volumes and revenues.

The arrival and sustained impact of the COVID-19 pandemic has clearly provided many and ongoing challenges across the globe. The momentum of increased Cellular Pathology work in the second quarter of 2021 as elective surgeries started to resume with much greater pace now completes the return of all of the Group's long standing business units to more normalised pre COVID-19 operating levels. All business units have been challenged to accelerate and deliver additional growth going forward. A more detailed review of the first half of 2021, by business unit, is presented in the business review below.

The Board is very grateful for the significant hard work and dedication of the entire SourceBio team and for the many achievements in what continues to be a uniquely challenging backdrop but also a period of significant opportunity.

Business review

The business comprises four business units – Healthcare Diagnostics, Genomics, Stability Storage and the newest 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

The Group's Infectious Disease Testing business provides UKAS accredited COVID-19 Antigen RT-PCR laboratory-based testing and whole genome sequencing services for COVID-19 testing. The testing capacity in the Group's Nottingham facility was grown in modular steps to approximately 10,500 tests per day capacity by the end of 2020 with further increases to approximately 20,000 tests per day capacity by September 2021. The further capacity scale-up in mid-2021 has been specifically in contemplation of an expected increase in demand for COVID-19 PCR tests driven by the opening up of travel, which has materialised in the third quarter. The Group performed over 0.7 million tests by the end of 2020 and reached approaching 1.4 million tests by the end of the first half of 2021 and exceeded 2.0 million tests by early September.

High volume COVID-19 Antigen RT-PCR laboratory-based tests formed the entire revenues for this business unit in 2020 but, as highlighted at the time of Admission in October 2020, the Board anticipates that whilst PCR based testing will remain the gold standard test, particularly for clinical purposes, the Group has evaluated numerous technologies and offerings to enhance its testing portfolio during 2021, most particularly in lateral flow testing.

As announced on 20 September, the Group has secured two commercial distribution agreements for the supply of lateral flow tests. The first agreement is with Excalibur Healthcare Services Limited for the supply of their new Lateral

Flow Test, which has been approved for professional use in Europe and the UK. This test kit may also be combined with a "Test to go" scanning app and Travel Pack that has been proven to provide a more accurate reading of results than the human eye. The second agreement is with Everything Genetic Limited which also uses a home use option for lateral flow antigen testing.

These services generated revenues totalling £28.4 million in the first half of 2021 (H1 2020: £2.2 million, 2020: £34.5 million) and a gross profit of £12.4 million in the first half of 2021 (H1 2020: £1.0 million, 2020: £13.7 million), equating to a gross margin percentage of 43.6% in the first half of 2021 (H1 2020: 46.5%, 2020: 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 grown rapidly 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 through to the second quarter of 2021 had a material effect on the quantity of elective surgeries in the UK which reduced the levels of business throughput. 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. It is very welcome to see the progressive return of increasing levels of activity in the second quarter of 2021 as elective surgeries return at scale, with second quarter revenues of £1.1 million being 77% higher than the first quarter's revenues of £0.6 million. Cellular Pathology activity generated £1.7 million of revenue in the first half of 2021 (H1 2020: £1.9 million) or 69% of this business unit's revenue (H1 2020: 70%).

SourceBio also offers enhanced molecular diagnostic tests through its Reference Laboratory 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. Reference Laboratory activity generated £0.7 million of revenue in the first half of 2021 (H1 2020: £0.8 million) or 31% of this business unit's revenue (H1 2020: 30%).

In aggregate, these services generated revenues totalling £2.4 million in the first half of 2021 (H1 2020: £2.7 million, 2020: £4.4 million) and a gross profit of £0.6 million in the first half of 2021 (H1 2020: £0.8 million, 2020: £1.0 million), equating to a gross margin percentage of 26.7% in the first half of 2021 (H1 2020: 28.2%, 2020: 23.6%).

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 made a strategic investment in state-of-the-art equipment in late 2019 to facilitate the delivery of more significant NGS contracts. Whilst both revenue streams were impacted by COVID-19 during 2020, both bounced back within approximately three months. NGS activity generated £0.9 million of revenue in the first half of 2021 (H1 2020: £0.5 million) or 36% of this business unit's revenue (H1 2020: 30%). The Board is very pleased with the absolute increase and the continuing skew toward NGS versus Sanger revenues.

In aggregate, these services generated revenues totalling £2.6 million in the first half of 2021 (H1 2020: £1.8 million, 2020: £4.2 million) and a gross profit of £1.1 million (H1 2020: £0.7 million, 2020: £1.7 million), equating to a gross margin percentage of 43.3% in the first half of 2021 (H1 2020: 39.8%, 2020: 41.1%).

Stability Storage

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

The largest of these offerings is Stability Storage Services, which generated £1.8 million of revenue in the first half of 2021 (H1 2020: £1.9 million), or 51% of this business unit's revenue (H1 2020: 55%). SourceBio delivers outsourced temperature and humidity-controlled environment storage services for stability trials at all ICH (International Council for Harmonisation 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. In 2020 the Group 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 long-term growth. Business is secured on recurring contracts which are typically of three-year duration, so whilst there has been a reduction in revenue of £0.1 million versus the first half of 2020, this has been caused by the predicted natural expiry of contracts and some lost work in the move from Los Angeles to San Diego in the USA. By its nature, this business line therefore provides highly visible recurring revenue at high gross margin levels, now exceeding 80%. This business line has been relatively robust as regards COVID-19 and is poised for further growth as the increased capacity is sold.

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 £0.6 million of revenue in the first half of 2021 (H1 2020: £0.4 million) or 18% of this business unit's revenue (H1 2020: 12%). Sales of capital equipment are naturally variable and subject to economic confidence and the Board was pleased to secure solid new business in the period 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 £1.1 million of revenue in the first half of 2021 (H1 2020: £1.1 million), or 31% (H1 2020: 32%) of this business unit's revenue. Growth had been hampered to a degree by the travel restrictions imposed by the ongoing COVID-19 pandemic.

In aggregate, these activities generated revenues totalling £3.6 million in the first half of 2021 (H1 2020: £3.5 million, 2020: £6.9 million) and a gross profit of £1.8 million in the first half of 2021 (H1 2020: £1.8 million, 2020: £3.9 million), equating to a gross margin percentage of 50.4% in the first half of 2021 (H1 2020: 53.2%, 2020: 56.1%).

Other non-core services

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

In aggregate, these activities generated revenues totalling £0.4 million in the first half of 2021 (H1 2020: £0.4 million, 2020: £0.8 million) and a gross profit of £0.1 million in the first half of 2021 (H1 2020: £0.2 million, 2020: £0.2 million).

Senior management

I was delighted to appoint Nick Bills as Director of Healthcare in July 2021, with responsibility for the Healthcare Diagnostics and Infectious Disease Testing business units. The Executive Management team was further enhanced in August 2021 with the addition of Richard Stevens following his promotion to Director of Genomics and of Michael Whatmough, as General Manager of the Stability Storage business unit. The Board sees substantial future growth opportunities in the core business units and believes that it is critical to have a strengthened team in place in order to maximise these opportunities.

Russell Wheatcroft, formerly Chief Operating Officer, left the business in August 2021.

Outlook

The Group had a transformational year in 2020 and delivered a robust first half of 2021 with attractive revenues, earnings and cash generation. Trading in the third quarter has been strong driven by peak levels of PCR testing, contributing to further growth in revenues, earnings and cash generation. The Board recognises that the COVID-19 testing marketplace has been highly fluid and clearly the changes in the travel guidelines announced on 17 September

are expected to materially reduce the throughput and revenues generated from PCR testing as Day 2 and Day 8 testing will be removed under the new travel guidelines from the end of October for fully vaccinated individuals and lower-risk countries. The Group expects to continue to see interest in PCR testing services, particularly for clinical purposes, to address positive results from lateral flow testing, and for out-bound travel, the "Fit to Fly scheme" and for Day 2 and Day 8 tests for arrivals from red list countries. Following the implementation of these new rules in October, PCR testing throughput is expected to reduce by approximately 70% on the levels achieved in the third quarter of the year. The Group does expect a modest level of mitigation through the expected revenues generated from the introduction of lateral flow testing and from the scheduled launch in the fourth quarter of PCR testing from its San Diego facility.

The Group's three other business units are very well positioned in their respective markets and have benefited from investment and are poised for delivering attractive growth going forward, in the current year and beyond.

Notwithstanding the anticipated reduced levels of PCR testing in the latter months of the year, the Group does anticipate the delivery of very strong revenue, earnings and cash generation. The Board expects revenues for 2021 to grow by approximately 70% on 2020 revenues of £50.7 million.

As was contemplated at IPO, the cash generated from COVID-19 testing to date, of approximately £20 million, plus the further cash generation anticipated, as well the COVID-19 related working capital that will ultimately unwind into cash, all provide the Group with an exceptionally strong balance sheet and the wherewithal to rapidly accelerate the growth of the core business through acquisition. The Group has continued to evaluate potential acquisition opportunities, with a number of encouraging discussions underway. We expect the focus of acquisitions to be similar or complementary businesses most likely relevant to the Healthcare Diagnostics (with cellular pathology and precision medicine targets being of particular interest) and Genomics business units. Geographically, the initial focus is on targets located in the UK, Europe and the USA. We look forward to updating shareholders further in due course.

Chief Financial Officer's Review

Revenue
Revenue for the half year 2021 was £37.3 million (H1 2020: £10.6 million), an increase of 252%.

Revenue across the four core business units is summarised below:

Business unit	**Unaudited Six months ended 30 June 2021 £'000**	Unaudited Six months ended 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Infectious Disease Testing	**28,376**	2,189	34,463
Healthcare Diagnostics	**2,384**	2,729	4,424
Genomics	**2,564**	1,805	4,219
Stability Storage	**3,565**	3,463	6,880
Core operations	**36,889**	10,186	49,986
Non-core operations	**371**	406	751
Total	**37,260**	10,592	50,737

The Group continued to maximise throughput in its newest business unit, Infectious Disease Testing, following its launch of COVID-19 Antigen RT-PCR testing services in May 2020. During the first half of 2021 the Group secured total revenues of £28.4 million (H1 2020: £2.2 million and 2020: £34.5 million).

The three established business units, Healthcare Diagnostics, Genomics and Stability Storage, were all to a degree impacted by COVID-19 during 2020 but have now all returned to pre COVID-19 levels of trading:

- The Healthcare Diagnostics business unit delivered revenues of £2.4 million in the first half of 2021 (H1 2020: £2.7 million and 2020: £4.4 million). Cellular Pathology testing volumes continued to be modest in the early months of 2021 as volumes remained heavily impacted by well publicised delays in elective surgeries whilst the backlog of potential work has reportedly dramatically increased. However, these volumes started to recover in the second quarter as momentum in elective surgeries increased. Cellular Pathology delivered revenues of £1.7 million in the first half of 2021 (H1 2020: £1.9 million and 2020: £2.7million). The Reference Laboratory delivered revenues of £0.7 million in the first half of 2021 (H1 2020: £0.8 million and 2020: £1.7million) largely consistent with prior trading as work in this area quickly recovered from the initial impact from COVID-19.

- Genomics comprises traditional Sanger Sequencing, which delivered revenues of £1.6 million in the first half of 2021 (H1 2020: £1.3 million, 2020: £2.8 million) and NGS (Next Generation Sequencing), which delivered revenues of £0.9 million in the first half of 2021 (H1 2020: £0.5 million, 2020: £1.4 million). Both business lines have showed a strong recovery and good growth following the modest impact from COVID-19. 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 continued to prove successful as the proportion of NGS work continues to trend up. NGS revenues in the first half of 2021 were 36% of the Genomics total (H1 2020: 30%, 2020: 33%).

- Stability Storage comprises Stability Storage Services which delivered revenues of £1.8 million in the first half of 2021 (H1 2020: £1.9 million, 2020: £3.5 million), Service and Validation which delivered revenues of £1.1 million in the first half of 2021 (H1 2020: £1.1 million, 2020: £2.2 million) and Manufacturing which delivered revenues of £0.6 million in the first half of 2021 (H1 2020: £0.4 million, 2020: £1.1 million). Stability Storage Services, which are sold on a recurring revenue model, have been relatively robust although some business was lost as the business moved its North American facility in early 2020. Service and Validation work has remained relatively flat, with growth opportunities impacted by the restrictions to travel, whilst the timing of equipment sales, being capital purchase items, is naturally fluid.

Gross profit
Overall gross profit was £16.0 million in the first half of 2021 (H1 2020: £4.6 million, 2020: £20.5 million), representing a gross margin percentage of 43.0% in the first half of 2021 (H1 2020: 43.0%, 2020: 40.3%). Although the quantum and mix of revenue dramatically changed in 2020, gross margin percentage levels were maintained overall. It is notable that, in spite of increasing pricing pressure, the Infectious Disease Testing gross margin percentage increased to 43.6% in the first half from 39.6% in 2020, largely driven by procurement efficiencies and cost savings.

Expenses
Total expenses in the first half of 2021 were £6.0 million (H1 2020: £3.8 million, 2020: £9.8 million). The 2020 expenses included £1.5 million of exceptional expenses in relation to the Company's Admission to AIM in October. The Group has generally incurred additional expenses across all areas of the business in order to successfully secure, deliver and maintain the sustained increased level of business throughput and in order to prepare for the further anticipated increase in business throughput expected in the second half of 2021. Management was largely able to utilise much of the 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 £1.2 million in the first half of 2021 (H1 2020: £0.9 million, 2020: £2.0 million) due primarily to increased laboratory equipment depreciation.

Adjusted 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). The Group achieved an adjusted EBITDA of £11.2 million in the first half of 2021 (H1 2020: £1.7 million, 2020: £14.2 million). This translated to an adjusted EBITDA percentage in the first half of 2021 of 30.1% (H1 2020: 15.8%, 2020: 27.9%), an almost doubling in adjusted EBITDA margin from H1 2020 and an increase of 2.2% on 2020. There were no share-based payments in the period and there were no exceptional items in the first half of 2021 (H1 2020: £0.1 million credit, 2020: £1.5 million). The principal driver for the huge growth in adjusted EBITDA versus H1 2020 was the level of COVID-19 test revenues and gross profit secured, which did not necessitate corresponding increases in expenses. The Group has focussed hard on maximising adjusted EBITDA and this is reflected in the further improvement over 2020.

Finance costs
Total finance costs were £0.2 million in the first half of 2021 (H1 2020: £5.0 million, 2020: £7.9 million). A substantial reduction in ongoing finance costs was achieved when the Company's PIK loan notes were redeemed in consideration for the issuance of new shares in contemplation of the Company's Admission to AIM in October 2020 and all the Group's shareholder and bank borrowings were repaid shortly after Admission.

The remaining modest finance costs relate to finance leases charges. At the period end date the Group had no borrowings other than leases.

Tax
An income tax charge of £1.9 million arose in the first half of 2021 (H1 2020: £nil, 2020: £0.2 million credit). The vast majority of the earnings in the first half of 2021 were generated in the UK, where the Group exhausted its accumulated tax losses in 2020 which reduced the prior year's overall income tax charge, thus has accrued tax due on all its income. The Group had trading losses of £1.1 million in its USA subsidiary available for carry forward at 1 January 2021.

Earnings per share
The Board believes that adjusted earnings per share provides the clearest measure of underlying earnings performance. Adjusted earnings per share is an Alternative Performance Measure and is calculated by dividing the result for the period 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 period. The adjusted earnings per share in the first half of 2021 amounted to 10.7 pence per share (H1 2020: loss of 0.2 pence per share, 2020: 19.8 pence per share).

The Group had no share options in issue thus its basic and diluted earnings per share were the same. The Group also had no adjusting interest or exceptional items in the first half of 2021 so basic and diluted earnings per share in the first half of 2021 amounted to 10.7 pence per share (H1 2020: loss of 8.0 pence per share, 2020: 5.3 pence per share).

Intangible assets
Goodwill at the half year remained at £10.0 million, with no impairment charged in the half year and other intangible assets had a net book value of £0.2 million (H1 2020: £0.2 million, 2020: £0.3 million).

Property, plant and equipment
Net book value of property, plant and equipment at the half year amounted to £8.0 million (H1 2020: £8.2 million, 2020: £7.0 million), an overall increase of £0.5 million. Additions in the first half of 2021 totalled £1.5 million, comprising mainly laboratory equipment of £0.6 million, fixtures and fittings of £0.7 million and leasehold improvements of £0.2 million, which were primarily required to support the capacity build-up of COVID-19 testing services.

Right-of-use assets
As a result of the implementation of IFRS 16 "Leases", the Group recorded at the half year £10.5 million of right-of-use assets (H1 2020: £2.9 million, 2020: £9.5 million). The principal increase in the second half of 2020 arose from the addition of £5.2 million which represented the creation of a right-of-use asset as a consequence of the sale and leaseback of the Nottingham property. Additions in the half year of 2021 totalled £1.5 million and related to mainly newly leased laboratory equipment of £1.3 million and newly leased property of £0.2 million.

Inventories
Inventories at the half year amounted to £5.1 million (H1 2020: £1.2 million, 2020: £3.6 million), the increase due to the increased stockholding requirements to support forecasted COVID-19 testing.

Trade and other receivables
Trade and other receivables at the half year amounted to £11.5 million (H1 2020: £5.4 million, 2020: £10.5 million), the increase driven by the receivables within the Infectious Disease Testing business unit. The credit losses provision at the half year amounted to £200,000, an increase on the £34,000 at the start of the year.

Overall, debtor days outstanding at the half year were 40 days (H1 2020: 33 days, 2020: 42 days) and during the half year averaged 43 days (H1 2020: 42 days, 2020: 53 days).

Lease liabilities
Total lease liabilities at the half year amounted to £13.4 million (H1 2020: £3.9 million, 2020: £12.1 million). The increase in the half year was primarily driven by new equipment acquired on lease.

Cash and working capital
Cash generation from operations was strong and exceeded EBITDA in the half year 2021 at £11.4 million (H1 2020: £1.3 million, 2020: £6.4 million). Cash and cash equivalents at the half year amounted to £17.2 million (H1 2020: £1.5 million, 2020: £8.4 million). Borrowings (excluding leases) at the half year 2021 remained £nil (H1 2020: £101.3 million) as the Group redeemed and converted its outstanding PIK loan notes into equity and repaid all of its bank and shareholder borrowings in October 2020. The improved funding position of the Group over the first half of 2021 was driven principally by the strong cash conversion of the business. The Group currently has no bank borrowing facilities.

Net assets
Net assets at the half year 2021 amounted to £39.6 million (H1 2020: net liabilities £81.3 million, 2020: £31.8 million), the improved position over the first half of 2021 was driven by strong trading.

Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the six months ended 30 June 2021

Continuing operations:	Note	**Unaudited Six months ended 30 June 2021** **£'000**	Unaudited Six months ended 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Revenue	4	**37,260**	10,592	50,737
Cost of sales		**(21,236)**	(6,035)	(30,284)
Gross profit	3	**16,024**	4,557	20,453
Distribution costs		**(907)**	(668)	(1,573)
Administrative expenses		**(5,116)**	(3,086)	(8,181)
Adjusted EBITDA	3	**11,218**	1,673	14,155
Depreciation		**(1,158)**	(863)	(1,890)
Amortisation		**(59)**	(61)	(102)
Exceptional items	5	**-**	54	(1,464)
Operating profit		**10,001**	803	10,699
Finance costs	6	**(209)**	(5,020)	(7,908)
Profit / (loss) before tax		**9,792**	(4,217)	2,791
Taxation	7	**(1,860)**	-	201
Profit attributable to equity shareholders of the Company		**7,932**	(4,217)	2,992
Other comprehensive income				
Items that may be reclassified to profit or loss:				
- Exchange differences on translation of foreign operations		**(119)**	101	208
Total comprehensive income attributable to equity shareholders of the Company		**7,813**	(4,116)	3,200
Earnings per share:				
Basic and diluted earnings / (loss) per ordinary share	8	**10.7p**	(8.0p)	5.3p

Consolidated Statement of Financial Position
As at 30 June 2021

	Note	**Unaudited as at 30 June 2021**	Unaudited as at 30 June 2020	Audited as at 31 December 2020
		£'000	£'000	£'000
Assets				
Non-current assets				
Intangible assets - goodwill		**9,993**	9,993	9,993
Intangible assets - other		**203**	207	349
Property, plant and equipment		**7,973**	8,153	6,959
Right-of-use assets		**10,516**	2,858	9,478
Deferred tax asset		**395**	-	395
Total non-current assets		**29,080**	21,211	27,174
Current assets				
Inventories		**5,089**	1,211	3,598
Trade and other receivables		**11,453**	5,430	10,472
Cash and cash equivalents		**17,186**	1,478	8,435
		33,728	8,119	22,505
Assets classified held for resale		**-**	475	475
Total current assets		**33,728**	8,594	22,980
Total assets		**62,808**	29,805	50,154
Equity attributable to equity shareholders of the Company				
Share capital	9	**111**	2,906	111
Share premium account		**33,189**	-	33,189
Foreign exchange reserve		**52**	64	171
Retained earnings		**6,295**	(84,334)	(1,637)
Total equity		**39,647**	(81,364)	31,834
Liabilities				
Non-current liabilities				
Trade and other payables		**317**	314	394
Borrowings	10	**-**	71,071	-
Lease liabilities		**12,193**	3,446	11,602
Provisions		**138**	196	141
Total non-current liabilities		**12,648**	75,027	12,137
Current liabilities				
Trade and other payables		**8,492**	5,398	5,494
Borrowings	10	**-**	30,204	-
Corporation tax payable		**791**	117	126
Lease liabilities		**1,212**	407	547
Provisions		**18**	16	16
Total current liabilities		**10,513**	36,142	6,183
Total liabilities		**23,161**	111,169	18,320
Total equity and liabilities		**62,808**	29,805	50,154

Consolidated Statement of Changes in Equity
For the six months ended 30 June 2021

	Share capital	Share premium account	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2020	2,906	-	(37)	(80,117)	(77,248)
Loss for the period	-	-	-	(4,217)	(4,217)
Other comprehensive income	-	-	101	-	101
Total comprehensive income for the period	-	-	101	(4,217)	(4,116)
Unaudited balance at 30 June 2020	2,906	-	64	(84,334)	(81,364)
Profit for the period	-	-	-	7,209	7,209
Other comprehensive income	-	-	107	-	107
Total comprehensive income for the period	-	-	107	7,209	7,316
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
Audited balance at 31 December 2020	111	33,189	171	(1,637)	31,834
Profit for the period	-	-	-	7,932	7,932
Other comprehensive income	-	-	(119)	-	(119)
Total comprehensive income for the period	-	-	(119)	7,932	7,813
Unaudited balance at 30 June 2021	**111**	**33,189**	**52**	**6,295**	**39,647**

Consolidated Statement of Cash Flows
For the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
	£'000	£'000	£'000
Cash flows from operating activities			
Profit / (loss) for the period	**7,932**	(4,217)	2,992
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	**1,158**	863	1,890
Amortisation	**59**	61	102
Foreign exchange	**(86)**	101	253
Profit on disposal of property, plant and equipment	**(134)**	(1)	-
Finance costs	**209**	5,020	7,908
Taxation	**1,860**	-	(201)
Issue costs of new shares	**-**	-	1,464
Working capital adjustments:			
(Increase) in inventories	**(1,491)**	(395)	(2,782)
(Decrease) in provisions	**(1)**	(1)	(18)
(Increase) in trade and other receivables	**(1,021)**	(65)	(5,245)
Increase / (decrease) in trade and other payables	**2,899**	(22)	25
Cash generated from operations	**11,384**	1,344	6,388
Income tax (paid) / received	**(1,197)**	75	(48)
Net cash inflows from operating activities	**10,187**	1,419	6,340
Cash flows from investing activities			
Purchase of property, plant and equipment	**(1,515)**	(1,092)	(3,870)
Purchase of intangible assets	**(20)**	(21)	(140)
Proceeds on disposal of property, plant and equipment	**645**	20	5,000
Net cash (outflow) / inflow from investing activities	**(890)**	(1,093)	990
Cash flows from financing activities			
Gross proceeds from issue of shares	**-**	-	35,003
Costs of Admission to AIM and new share issuance	**-**	-	(3,243)
New borrowings secured	**-**	1,000	2,000
Repayment of borrowings	**-**	(500)	(30,253)
Interest paid	**(17)**	(100)	(2,750)
Payment of lease liabilities	**(507)**	(483)	(894)
Net cash outflow from financing activities	**(524)**	(83)	(137)
Net increase in cash and cash equivalents	**8,773**	243	7,193
Net foreign exchange difference on cash and cash equivalents	**(22)**	-	7
Cash and cash equivalents at the beginning of the period	**8,435**	1,235	1,235
Cash and cash equivalents at the end of the period	**17,186**	1,478	8,435

Notes to the Unaudited Consolidated Financial Statements
For the six months ended 30 June 2021

1. General information
SourceBio International plc (the "Company" or "SourceBio") is a public limited 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.

The financial information in these interim results is that of the parent Company and all of its subsidiaries. It has been prepared in accordance with UK adopted international accounting standards. The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2020 and which will form the basis of the 2021 financial statements except for a number of new and amended standards which have become effective since the beginning of the previous financial year. These new and amended standards are not expected to materially affect the Group.

The financial information presented herein does not constitute full statutory accounts under Section 434 of the Companies Act 2006 and was not subject to a formal review by the auditors. The financial information in respect of the year ended 31 December 2020 has been extracted from the statutory accounts which have been delivered to the Registrar of Companies. The Group's Independent Auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The financial information for the half years ended 30 June 2021 and 30 June 2020 is unaudited.

2. Summary of significant accounting policies

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 periods presented, unless otherwise indicated.

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

Going concern
The Directors have prepared detailed budgets and rolling 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 (now lesser) negative impact on the core business plus the positive impact derived from the 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 existing cash balances and based on their enquiries and the information available to them in respect of the other risks and uncertainties set out herein, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. Thus, they have adopted the going concern basis of accounting in preparing these financial statements.

Basis of consolidation
The Group's consolidated financial statements include the results of the Company and all its subsidiaries. Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its

power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Intangible assets

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

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

Intangible assets (other than goodwill)
Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably. Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

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

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

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

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

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

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

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

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

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group recognised revenue from the following activities:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. 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 non-core operations which are being wound down and which are presented separately as non-core operations.

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.

	Six months ended 30 June 2021		Six months ended 30 June 2020		Year ended 31 December 2020	
	Revenue £'000	**Gross profit £'000**	Revenue £'000	Gross profit £'000	Revenue £'000	Gross profit £'000
Infectious Disease Testing	**28,376**	**12,378**	2,189	1,018	34,463	13,663
Healthcare Diagnostics	**2,384**	**637**	2,729	769	4,424	1,046
Genomics	**2,564**	**1,110**	1,805	719	4,219	1,734
Stability Storage	**3,565**	**1,796**	3,463	1,844	6,880	3,857
Core operations	**36,889**	**15,921**	10,186	4,350	49,986	20,300
Non-core operations	**371**	**103**	406	207	751	153
Total	**37,260**	**16,024**	10,592	4,557	50,737	20,453

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 items, 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 5.

4. 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.

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
United Kingdom	**35,244**	8,481	46,657
Europe	**1,047**	1,426	2,349
USA	**969**	678	1,731
Total	**37,260**	10,592	50,737

The Group details below significant customers who have contributed to more than 10% of Group revenue in any of the periods shown:

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
Department of Social Care	**1,190**	1,946	17,200
Spire Healthcare Limited	**12,256**	107	10,700

5. Exceptional items

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
Release of employment matters provision	**-**	(54)	-
Costs in relation to the Company's Admission to AIM	**-**	-	1,464
Total	**-**	(54)	1,464

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.

6. Finance costs

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
On bank loans	**-**	(83)	(158)
On PIK notes	**-**	(3,313)	(4,970)
On shareholder loans	**-**	(1,459)	(2,549)
On lease liabilities	**(209)**	(165)	(231)
Total	**(209)**	(5,020)	(7,908)

7. Taxation

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
Current tax			
UK corporation tax on profit for the current period	**1,860**	-	232
Adjustment in respect of previous periods	**-**	-	(62)
Foreign taxation	**-**	-	54
Total	**1,860**	-	224
Deferred tax			
Origination and reversal of timing differences	**-**	-	(431)
Effect of tax rate change on opening balance	**-**	-	6
Total	**-**	-	(425)
Total charge / (credit)	**1,860**	-	(201)

The tax charge in the six month periods have been calculated based on the estimated tax rate that is expected to apply to the full year.

8. Earnings / (loss) per share

Basic earnings per share is calculated by dividing the result for the period attributable to ordinary shareholders of the Company by the weighted average number of shares in issue during the period. For 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 2020.

Diluted earnings per share is calculated by dividing the result for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period 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 six months ended 30 June 2021 was based on the profit attributable to ordinary shareholders of £7,932,000 (H1 2020: £4,217,000 loss and 2020: £2,992,000 profit) and 74,183,038 ordinary shares (H1 2020: 52,578,100 ordinary shares and 2020: 56,307,171) 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 period attributable to ordinary shareholders, excluding interest expense attributable to the shareholder loans and PIK notes and expenses related to exceptional items, as well as the tax effect of these items, by the weighted average number of ordinary shares in issue during the period.

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

	Six months ended 30 June 2021 £'000	Six months ended 30 June 2020 £'000	Year ended 31 December 2020 £'000
Profit / (loss) for the period	**7,932**	(4,217)	2,992
Interest payable on shareholder loans and PIK loan notes	**-**	4,772	7,677
Exceptional items	**-**	(54)	1,464
Tax effect of the above	**-**	(599)	(964)
Adjusted profit / (loss) for the period	**7,932**	(98)	11,169

The reconciliation of the earnings and weighted average number of shares used in the calculations for the six months ended 30 June 2021 and 30 June 2020 is set out below:

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	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 / (loss) attributable to ordinary shareholders of the Company	**7,932**	**74,183**	**10.7p**	(4,217)	52,578	(8.0p)
Adjusted basic EPS						
Adjusted earnings / (loss) attributable to ordinary shareholders of the Company	**7,932**	**74,183**	**10.7p**	(98)	52,578	(0.2p)

The reconciliation of the earnings and weighted average number of shares used in the calculations for the year ended 31 December 2020 is set out below:

	Year ended 31 December 2020		
	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
Adjusted basic EPS			
Adjusted earnings attributable to ordinary shareholders of the Company	11,169	56,307	19.8p

9. Share capital

The share movements 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 2020 and 30 June 2020	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 and at 30 June 2021	**-**	**-**	**74,183,038**	**111**

10. Borrowings

Current	**30 June 2021 £'000**	30 June 2020 £'000	31 December 2020 £'000
Bank loans and overdrafts	**-**	4,350	-
Other loans	**-**	25,854	-
Total	**-**	30,204	-
Non-current			
Other loans	**-**	71,071	-
Total	**-**	101,275	-

The Bank and other loans were repaid on or shortly after Admission to AIM in October 2020.