Company registration number 10269474 (England and Wales)

SOURCEBIO INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

SOURCEBIO INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	J C LeCoque (Executive) A L Barlow (Executive) Sir I J Carruthers (Non-Executive) S J Constantine (Non-Executive) M Fumagalli (Non-Executive) R J Giles (Non-Executive) C H B Mills (Non-Executive)
Secretary	A L Barlow
Company number	10269474
Registered office	1 Orchard Place Nottingham Business Park Nottingham NG8 6PX
Auditor	RSM UK Audit LLP Chartered Accountants Suite A, 7th Floor East West Building 2 Tollhouse Hill Nottingham NG1 5FS
Bankers	Barclays Bank plc 3 Hardman Street 1st Floor Spinningfields Manchester M3 3AX
Solicitors	Shoosmiths LLP 1 Bowchurch Yard London EC4M 9DQ

The Directors present the strategic report for the year ended 31 December 2023.

Fair review of the business
During 2023, the Group was focused on growth initiatives in its core business units, which ultimately resulted in the disposal of the Stability Storage business unit, at the very end of 2023. The Group now consists of its original two core businesses, Histopathology Diagnostics and Genomics and Multiomics Services, allowing continued focus on accelerating growth of both Revenue and Operating Profit.

Revenues for the remaining core businesses in 2023 totalled £30.4 million, an increase of 23% on prior year revenues of £24.7 million, due largely to the growth in our Histopathology Diagnostics business unit and the continued conversion to digital pathology.

Total prior year revenues of £31.4 million, also includes £6.7 million of revenue, mainly from COVID-19 PCR testing which drew to a close in 2022.

Gross profit was £10.9 million, an increase of 13% on prior year gross profit of £9.6 million. Adjusted EBITDA[1] was £3.1 million, an increase of 33% on the prior year adjusted EBITDA of £2.3 million. The Group implemented a significant cost reduction plan following the divestiture of the Stability Storage business unit to reduce central costs and non-core business costs. The profits generated from the Stability Storage business and its sale of £23.7 million (2022: loss of £0.2m) have been shown in discontinued activities.

Cash balances at the year-end date totalled £33.9 million with no bank or shareholder borrowings, compared to cash of £9.4 million at the prior year-end date, the increase driven by the cash consideration of £32.8 million paid on completion of the disposal of the Stability Storage group of companies.

The Board is grateful for the hard work and dedication of the entire Source BioScience team in 2023, which has certainly been another year of substantial change and improved focus on the core business units. The Board is also appreciative of the continued strong support from shareholders.

Strategy and business model
The business now comprises two core business units: Histopathology Diagnostics and Genomics and Multiomics Services. Source BioScience's strategy is to build shareholder value through aggressive growth in its core business units through organic growth and potential bolt on acquisitions to augment the growth of the core business units. The primary focus is Histopathology Diagnostics where market demand appears very buoyant. Specifically, the Directors have identified clear strategic initiatives to generate shareholder value. Where relevant, the Group may selectively execute on attractive and appropriate acquisition opportunities.

Histopathology Diagnostics
Our Histopathology Diagnostics business unit provides a complete end to end histopathology and clinical diagnostics service for the sectioning, processing, staining and analysis of tissue samples on self-prepared and pre-prepared slides. Source BioScience operates ISO 15189 and 9001 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. Source BioScience maintains service level agreements with over 130 NHS departments, private healthcare providers and pharma and biotech customers.

The principal revenue stream for the business has rapidly grown in recent years with the structural shortage of pathologists together with the well-publicised increase in the national elective surgery waiting lists, or backlog, creating strong market demand. In 2021, the Group acquired London Digital Pathology (LD Path Limited), a leading provider of digital pathology services and the Group has seen a rapid adoption of digital pathology in 2022 and 2023. At the end of 2023, 65% of cases were digital, up from 43% at the start of the year. Digital Pathology allows faster time to diagnose and reduces overall costs to NHS Trust and private healthcare providers.

In 2023, Histopathology Diagnostics services generated revenues totalling £23.9 million, an increase of 28% on prior year of £18.7 million and a gross profit of £8.6 million, an increase of 25% on prior year of £6.9 million, equating to a gross margin percentage of 36% (2022: 37%).

[1] Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation ('EBITDA') adjusted for exceptional items and share based payments

Genomics and Multiomics Services
Source BioScience offers a full range of Genomics and Multiomics Services to its Pharmaceutical, BioPharma and research-based customers. Genomics is the study of genes to help progress research and clinical discovery for the pharmaceutical and healthcare industries. Multiomics is a rapidly growing field which combines genomics with further molecular dimensions that impact biological activity such as protein products of certain genes. Altogether, this gives a far more comprehensive picture of diseases and new therapeutics, paving the way for precision medicine. The focus in 2023 was to expand into more specialized genomics services that are more focused on the quality of the service and data delivered, and less concerned about the lowest priced supplier.

In aggregate, these services generated revenues totalling £6.5 million, an increase of 8% on prior year £6.0 million, and a gross profit of £2.2 million, a 4% increase on prior year of £2.1 million, equating to a gross margin percentage of 34% (2022: 35%), the reduction largely caused by a change in mix of services.

Outlook
The Board believes the business is poised to generate significant increases in revenues and earnings in 2024 and beyond. The potential growth opportunities in both core businesses are significant and we can scale additional capacity and resources for growth, with relatively modest further capital expenditure anticipated.

Corporate social responsibility
The Board has responsibility for all matters relating to corporate social responsibility. The Directors recognise its importance 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.

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;
- Passion - energy, hard work and commitment;
- Respect - to treat others as you would expect to be treated yourself;
- 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 an industry-leading laboratory services 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.

Environmental, social and governance reporting
The Directors recognise the need to formally disclose the risks and impact of its operation and it seeks, where possible, to make environmentally responsible and cost-effective decisions which comply with applicable environmental legislation.

The Group is undergoing an external exercise by independent assessors to both introduce and strive towards enhanced sustainability goals, to maintain ethical and diversity standards and improve outcomes wherever possible. This initial assessment will allow the Group to define a framework and identify key financial and ESG metrics, robust processes and controls, and trusted data sources.

This will enable us to ensure our suppliers do the same in a more structured manner, leading to a more sustainable future for all and making us an even more attractive industry partner.

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 different stakeholders of the Group.

The Strategic Report on pages 1 to 6 describes the Group’s activities, strategy and future prospects, including the considerations for long-term decision making. The Corporate Social Responsibility Statement set out on pages 2 and 3 describes the Group’s view and actions across a number of areas.

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

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 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.

Contractual arrangements with pathologists
Within the Group's Histopathology 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. The Group regularly reviews the working arrangements in the light of the relevant legislation and will take appropriate action in the future as required.

Risks specific to the Group's Histopathology Diagnostics business unit
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 15189:2012 requirements, as well as other quality standards and the UK National External Quality Assessment Service scheme. The Group has multiple extensions to scope for adding services to the ISO 15189 schedule of accreditation and are working towards ISO 15189:2022 accreditation within 2024. Whilst responsibility for compliance with such policies and procedures rests with operational management, the Group also employs a Head of Quality 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 2023 following a satisfactory S1 and S2 audit inspection. Although the Group currently has ISO 15189 accredited status there is no guarantee that the Group will have this 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. The Group invests heavily in staff and procedures to ensure compliance with best practice and its regulatory bodies.

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 obligations on data controllers/processors and rights for data subjects, as well as new and increased fines and penalties for breaches of the data privacy obligations of data controllers. Penalties for non-compliance with GDPR include fines of up to 4% of annual global turnover or £17.5 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.

Whilst the Group has procedures to minimise the occurrence of such events including contractual data sharing agreements with clients/providers and a specific data protection officer who monitors and maintains our IT services, 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.

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 offerings 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 offerings, which could have an adverse impact on the Group's business, prospects, results of operations and financial condition. The Group works hard to ensure close contact with all its customers, which helps assess competitive new threats.

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. The Group is able to at least partially reduce the overall impact of any change by having a diversified offering across its two business units.

IT infrastructure, cyber-attacks and other risks relating to data security
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.

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.

The Group makes use of preconfigured equipment and cloud services from third-party providers. These resources will support the processing of confidential information. Although we audit our suppliers and ensure they are meeting suitable accreditation 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 services, use the Group's proprietary technology and/or adversely affect its business position.

The Group continues to invest in high quality people, equipment and procedures to minimise such risks.

Regulatory risk
The Group's 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, could have an immediate and negative impact on the Group's revenues and prospects. 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 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 service or as related to a currently marketed service could mean that the Group needs to conduct additional studies and re-submit services 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 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.

Acquisition risk
The Group has ambitious growth plans, which include seeking and integrating suitable acquisition targets. The Group recognises that identifying a potential acquisition target, completing appropriate legal agreements and then subsequently incorporating the target into the Group operations all carry additional risks. These are mitigated as far as reasonably possible by detailed due diligence, performed by the Group and its advisors, robust legal processes and by establishing an integration team with representatives from the Group and from the target Group, who mutually agree integration plans with the objective of taking the best initiatives and processes from each organisation.

On behalf of the board

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J C LeCoque
Executive Chairman

Date: 26/09/24

The Directors present their annual report and financial statements for the year ended 31 December 2023.

SourceBio International Limited 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 provider of integrated state-of-the-art laboratory services 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 two core business units:

- Histopathology Diagnostics - histopathology cancer screening (Cellular and digital pathology) and clinical diagnostic services for the NHS and private healthcare across the UK;
- Genomics and Multiomics - DNA sequencing services and Precision Medicine services for pharmaceutical and biotechnology companies, academia and other research groups, mainly in the UK.

Results and dividends
Revenue for the year for continuing activities was £30.4 million (2022: £31.4 million). Adjusted EBITDA for the year was £3.1 million (2022: £2.3 million) and loss after tax was £5.4 million (2022: £12.2 million).

Following the disposal of Source BioScience (Healthcare) Limited along with its subsidiaries, Source BioScience Ireland Limited, Source BioScience (Storage) Limited and Source BioScience Inc, the above relates solely to continuing operations in the current and prior period.

The detailed results for the year and the financial position as at 31 December 2023 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 Strategic Report.

The Directors do not recommend the payment of a dividend for the year to 31 December 2023 (2022: £nil).

Events after the reporting date
Following the disposal of the Stability Storage Business Unit, the Group took advantage of the significant cash reserves to carry out a capital reduction exercise of 4,974,000 shares and also declare a dividend of 0.2848p per share of £19 million, distributed on 5 April 2024.

The Group took the decision to restructure the Digital Pathology division and as a result, the London Office was closed for operational use. The site is under lease with a break clause in 2027 and the Group is planning to find a replacement lessee before this date to minimise the remaining lease obligation.

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

J C LeCoque (Executive)	
A L Barlow (Executive)	(Appointed 27 September 2023)
Sir I J Carruthers (Non-Executive)	
S J Constantine (Non-Executive)	
M Fumagalli (Non-Executive)	
R J Giles (Non-Executive)	(Appointed 18 January 2023)
C H B Mills (Non-Executive)	
T Ratcliffe (Executive)	(Resigned 27 September 2023)

T Ratcliffe, the former Company Secretary resigned on 27 September 2023 and was replaced by A L Barlow, who was appointed on 27 September 2023.

Qualifying third party indemnity provisions
The Group has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

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 2023 was 72 days (2022: 45 days).

Research and development
The Group is essentially a service provider but does incur modest research and development expenditure in relation to certain projects and in relation to development of its IT systems, most notably its LIMS (laboratory information management system). During the year and the prior year, all such expenditure meeting the required criteria under IAS 38 was capitalised within intangible assets.

Financial risk management
The Group holds all cash balances in no-notice accounts. The Group's policy on the use of financial instruments and the management of financial risks is set out in notes 36-37 and 39-40 of the financial statements.

Going concern statement
The Directors have prepared detailed monthly budgets and forecasts covering the period to 31 December 2025. These plans take into account all reasonably foreseeable circumstances and the dividend as detailed in note 37.

The Group is expected to generate cash sufficient to meet its day-to-day operating needs and to support its planned capital expenditure. Taking into account the current level of 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.

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.

Employee involvement
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 Source BioScience 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, pregnancy or maternity is unacceptable and will not be tolerated. The Group has a policy for full and fair consideration for applications for employment from disabled people, a policy for the training, career development and promotion of disabled people, and a policy of continuing employment and training of employees who have become disabled while employed by the Group.

Employee engagement

Details of the Group's communication with employees, providing information on matters of concern to them as employees and achieving a common awareness of the financial and economic factors affecting the performance of the Group are detailed in the Strategic Report. The Group consults with employees on a regular basis, individually, in teams or company-wide, so that their views can be taken into account in making decisions which are likely to affect their interests.

Energy and carbon report

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 Group has not adopted any significant initiatives in the year to reduce emissions. The disclosures below encompass:

Scope 1: includes emissions from combustion of fuel and operation of facilities; and

Scope 2: includes emissions from purchased electricity for the Group’s own use.

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.

Energy consumption	**2023 kWh**	**% relates to UK**	**2022 kWh**	**% relates to UK**	**2021 kWh**	**% relates to UK**
Aggregate of energy consumption in the year						
Scope 1 - direct emissions	346,366	91%	415,508	92%	458,500	92%
Scope 2 - indirect emissions	3,121,059	71%	3,165,003	71%	3,470,000	75%
	3,467,425		3,580,511		3,928,500	

Emissions of CO2 equivalent	**2023 metric tonnes**	**% relates to UK**	**2022 metric tonnes**	**% relates to UK**	**2021 metric tonnes**	**% relates to UK**
Scope 1 - direct emissions	313.90	91%	329.10	92%	355.60	92%
Scope 2 - indirect emissions	662.70	71%	672.00	71%	736.80	75%
Total gross emissions	976.60		1,001.10		1,092.40	
Intensity ratio						
Intensity Ratio (tonnes of C02e per £ million of revenue)	26.0		26.3		11.8	

Quantification and reporting methodology

In order to express emissions in a quantifiable factor, an intensity ratio has been calculated which shows emissions reported per £ millions of revenue generated by the Group. The Board recognised that whilst the Group’s carbon footprint has modestly decreased to 26.0 (2022: 26.3). This is roughly in line with the reported revenue.

Measures taken to improve energy efficiency

The kWh data in the table above 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 to reduce energy consumption were introduced during the year. The Board are taking steps to address this in 2024 with increased investment in the review and reduction of emissions.

Statement of disclosure to auditor

RSM UK Audit LLP is the appointed auditor, in accordance with section 489 of the Companies Act 2006.

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 the 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.

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 includes information on likely future developments of the business and disclosures concerning greenhouse gas emissions that would otherwise be required to be disclosed in this Directors' Report. The Company's Strategic Report also includes information on principal risks and uncertainties that the Group faces.

On behalf of the board

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A L Barlow (Executive)

Director

Date: 26/09/24

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors are responsible for preparing the Strategic Report, the Directors' Report 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 to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards and to prepare the Company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The Group and Company financial statements are required by law and UK-adopted International Accounting Standards 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 the Company and of the 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 accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards; 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's 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOURCEBIO INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of SourceBio International Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise Group Statement of Comprehensive Income, the Group and parent company statement of financial position, the Group and parent company statement of changes in equity, the Group and parent company statement 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 UK-adopted International Accounting Standards 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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the provisions of 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, 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.

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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOURCEBIO INTERNATIONAL LIMITED (CONTINUED)

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 directors' responsibilities statement set out on page 11, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOURCEBIO INTERNATIONAL LIMITED (CONTINUED)

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 operates 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.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are UK-adopted IAS, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to ISO standards for medical services and GDPR. We performed audit procedures to inquire of management and those charged with governance whether the Group is in compliance with these laws and regulations.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to:

- testing manual journal entries and other adjustments using data analytics software;
- evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business; and
- cut-off testing and substantive procedures using financial data analytics software to validate revenue recognition throughout the year.

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.

Neil Stephenson

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
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26/09/24

SOURCEBIO INTERNATIONAL LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
Continuing operations			
Revenue	**4**	30,405	31,370
Cost of sales		(19,553)	(21,769)
Gross profit		10,852	9,601
Distribution costs		(2,104)	(2,580)
Administrative expenses		(13,298)	(20,134)
Other operating income	**10**	238	607
Adjusted EBITDA		3,114	2,338
Depreciation	**17**	(3,201)	(3,409)
Amortisation	**16**	(1,677)	(747)
Share based payments	**27**	(74)	(2,185)
Exceptional costs	**5**	(2,474)	(8,503)
Operating loss	**6**	(4,312)	(12,506)
Finance income	**12**	28	21
Finance costs	**11**	(1,146)	(1,063)
Loss before taxation		(5,430)	(13,548)
Taxation	**13**	48	1,322
Loss attributable to equity shareholders of the Company - Continuing activities		(5,382)	(12,226)
Discontinued operations	**15**		
Net profit attributable to discontinuation		23,723	(218)
Loss attributable to equity shareholders of the Company	**26**	18,341	(12,444)
Other comprehensive income:			
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translation of discontinued foreign operations		427	(332)
Total comprehensive income for the year		18,768	(12,776)

Total comprehensive income for the year is all attributable to the owners of the parent company.

The notes on pages 24 to 65 form part of these Group financial statements.

Company Registration No. 10269474

SOURCEBIO INTERNATIONAL LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Goodwill	**16**	19,738	25,677
Intangible assets	**16**	8,028	8,503
Property, plant and equipment	**17**	15,228	19,952
		42,994	54,132
Current assets			
Inventories	**21**	1,413	807
Trade and other receivables	**22**	5,663	6,848
Current tax recoverable		1,180	1,388
Cash and cash equivalents		33,917	9,443
Total current assets		42,173	18,486
Total assets		85,167	72,618
EQUITY			
Called up share capital	**25**	108	102
Share premium account	**26**	37,225	33,189
Share option reserve	**26**	74	-
Foreign exchange reserve	**26**	-	(479)
Share allotment reserve	**26**	-	4,000
Capital redemption reserve	**26**	9	9
Retained earnings	**26**	16,307	(1,982)
Total equity		53,723	34,839
LIABILITIES			
Non-current liabilities			
Trade and other payables	**28**	3,802	6,514
Lease liabilities	**31**	11,875	14,275
Deferred tax liabilities	**32**	1,499	1,480
		17,176	22,269
Current liabilities			
Trade and other payables	**28**	12,961	13,769
Lease liabilities	**31**	1,307	1,741
Total current liabilities		14,268	15,510
Total liabilities		31,444	37,779
Total equity and liabilities		85,167	72,618

SOURCEBIO INTERNATIONAL LIMITED

GROUP STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2023

The notes on pages 24 to 65 form part of these Group financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 26/09/24 and are signed on its behalf by:

....
A L Barlow (Executive)
Director

Company Registration No. 10269474

SOURCEBIO INTERNATIONAL LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Investments	**18**	15,402	15,380
Deferred tax asset		245	227
		15,647	15,607
Current assets			
Trade and other receivables	**23**	37,235	39,492
Total assets		52,882	55,099
EQUITY			
Called up share capital	**25**	108	102
Share premium account	**26**	37,225	33,189
Share option reserve	**26**	74	-
Share allotment reserve	**26**	-	4,000
Capital redemption reserve	**26**	9	9
Retained earnings	**26**	14,048	15,827
Total equity		51,464	53,127
LIABILITIES			
Current liabilities			
Trade and other payables	**29**	1,418	1,972
Total liabilities		1,418	1,972
Total equity and liabilities		52,882	55,099

The notes on pages 24 to 65 form part of these parent financial statements.

As permitted by s408 Companies Act 2006, the Company has not presented its own income statement and related notes. The Company's loss for the year was £1,779,000 (2022: profit of £20,542,000).

The financial statements were approved by the Board of Directors and authorised for issue on 26/09/24 and are signed on its behalf by:

....

A L Barlow (Executive)

Director

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital £'000	Share premium account £'000	Share allotment reserve £'000	Capital redemption reserve £'000	Share option reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022		111	33,189	-	-	77	(147)	15,078	48,308
Year ended 31 December 2022:									
Loss for the year		-	-	-	-	-	-	(12,444)	(12,444)
Other comprehensive income:									
Currency translation differences		-	-	-	-	-	(332)	-	(332)
Total comprehensive income for the year		-	-	-	-	-	(332)	(12,444)	(12,776)
Transactions with owners in their capacity as owners:									
Advance in share subscription		-	-	4,000	-	-	-	-	4,000
Employee share schemes		-	-	-	-	2,185	-	-	2,185
Cancellation of ordinary shares	**25**	(9)	-	-	9	-	-	(6,878)	(6,878)
Transfer of share option reserve to retained earnings		-	-	-	-	(2,262)	-	2,262	-
Balance at 31 December 2022		102	33,189	4,000	9	-	(479)	(1,982)	34,839

GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital £'000	Share premium account £'000	Share allotment reserve £'000	Capital redemption reserve £'000	Share option reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
Year ended 31 December 2023:									
Profit for the year		-	-	-	-	-	-	18,341	18,341
Other comprehensive income:									
Currency translation differences		-	-	-	-	-	427	-	427
Total comprehensive income for the year		-	-	-	-	-	427	18,341	18,768
Transactions with owners in their capacity as owners:									
Issue of share capital	**25**	1	41	-	-	-	-	-	42
Employee share schemes		-	-	-	-	74	-	-	74
Transfers		-	-	-	-	-	52	(52)	-
Preference shares converted		5	3,995	(4,000)	-	-	-	-	-
Balance at 31 December 2023		108	37,225	-	9	74	-	16,307	53,723

The notes on pages 24 to 65 form part of these Group financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital £'000	Share premium account £'000	Share allotment reserve £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022		111	33,189	-	-	77	(99)	33,278
Year ended 31 December 2022:								
Profit and total comprehensive income for the year		-	-	-	-	-	20,542	20,542
Transactions with owners in their capacity as owners:								
Advance in share subscription		-	-	4,000	-	-	-	4,000
Employee share schemes		-	-	-	-	2,185	-	2,185
Cancellation of ordinary shares		(9)	-	-	9	-	(6,878)	(6,878)
Transfer of share option reserve to retained earnings		-	-	-	-	(2,262)	2,262	-
Balance at 31 December 2022		102	33,189	4,000	9	-	15,827	53,127
Year ended 31 December 2023:								
Loss and total comprehensive income for the year		-	-	-	-	-	(1,779)	(1,779)
Transactions with owners in their capacity as owners:								
Issue of share capital	**25**	1	41	-	-	-	-	42
Employee share schemes		-	-	-	-	74	-	74
Preference shares converted		5	3,995	(4,000)	-	-	-	-
Balance at 31 December 2023		108	37,225	-	9	74	14,048	51,464

The notes on pages 24 to 65 form part of these parent financial statements.

SOURCEBIO INTERNATIONAL LIMITED

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

		2023		2022	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	**34**		(382)		1,240
Income taxes refunded/(paid)			390		(151)
Net cash inflow from operating activities			8		1,089
Investing activities					
Proceeds from disposal of SBS Healthcare	**20**	32,330		-	
Purchase of intangible assets		(1,216)		(794)	
Purchase of property, plant and equipment		(1,766)		(3,215)	
Proceeds from disposal of property, plant and equipment		63		36	
Purchase of subsidiaries, net of cash acquired		-		(16,064)	
Payment of deferred and contingent consideration		(3,282)		-	
Interest received		28		-	
Net cash generated from/(used in) investing activities			26,157		(20,037)
Financing activities					
Proceeds from issue of shares		42		-	
Repayment of CBILs loans acquired with LDPath		-		(675)	
Purchase of own shares		-		(6,878)	
Advance share subscription		-		4,000	
Payment of lease liabilities		(2,211)		(1,431)	
Net cash used in financing activities			(2,169)		(4,984)
Net increase/(decrease) in cash and cash equivalents			23,996		(23,932)
Cash and cash equivalents at beginning of year			9,443		33,304
Effect of foreign exchange rates			478		71
Cash and cash equivalents at end of year			33,917		9,443

The notes on pages 24 to 65 form part of these Group financial statements.

SOURCEBIO INTERNATIONAL LIMITED

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	**34**		(42)		2,878
Net cash (outflow)/inflow from operating activities			(42)		2,878
Financing activities					
Proceeds from issue of shares		42		-	
Purchase of own shares		-		(6,878)	
Advance share subscription		-		4,000	
Net cash generated from/(used in) financing activities			42		(2,878)
Net increase in cash and cash equivalents			-		-
Cash and cash equivalents at beginning of year			-		-
Cash and cash equivalents at end of year			-		-

The notes on pages 24 to 65 form part of these parent financial statements.

1 Accounting policies

Company information
SourceBio International Limited (the "Company" or "SourceBio") is a company incorporated in England and Wales and domiciled in the UK. The address of the registered office is 1 Orchard Place, Nottingham Business Park, Nottingham, NGB 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 to the healthcare and clinical, life and applied sciences and biopharma industries.

Accounting convention
The Parent Company and consolidated accounts of SourceBio International Limited have been prepared in accordance with UK adopted International Accounting Standards (IFRS) and the requirements of the Companies Act 2006.

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.

The consolidated financial statements have been prepared under the historical cost convention.

Going concern
The Directors have prepared detailed monthly budgets and forecasts covering the period to 31 December 2025. These plans take into account all reasonably foreseeable circumstances and the dividend as detailed in note 37.

The Group is expected to generate cash sufficient to meet its day-to-day operating needs and to support its planned capital expenditure. Taking into account the current level of 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.

New standards, amendments and interpretations issued
For the purposes of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2023. There was no significant impact of new standards and interpretations adopted in the year.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted. None of the new standards or interpretations issued but not yet adopted are expected to have a material impact on the Group.

1 Accounting policies (Continued)

Discontinued operations
A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

Non-current assets or disposal groups are classified as held for sale if it is highly probable that they will be recovered through sale as opposed to continuing use. These are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses are recognised in the income statement. The results of discontinued operations are presented separately in the Consolidated Statement of Comprehensive Income.

The Group restates the Consolidated Statements of Comprehensive Income, Cash Flows and disclosures for discontinued operations and disposal group classified as held for sale for the prior year, so that the relevant disclosures relates to all operations that have been discontinued by the end of the reporting period. In contrast, the Consolidated Statement of Financial Position for the prior year is neither restated nor remeasured.

Basis of consolidation
The Group's consolidated financial statements include the results of the Company and all its subsidiaries, which all work to a year end date of 31 December. 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 to 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.

Revenue
Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT.

Services
Revenues received or receivable for services, typically provided under contract pathology, Genomics and Multiomics Sequencing 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.

Contracts recognised over time and with multiple elements
The Group enters into Genomics contracts that are performed over time. 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.

Pre-paid vouchers
Vouchers are sold to customers in advance in return for the right to receive certain 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.

Government grants
Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

1 Accounting policies (Continued)

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.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- the fair values of the assets transferred;
- the liabilities incurred to the former owners of the acquired business;
- the equity interests issued by the Group;
- the fair value of any asset or liability resulting from a contingent consideration arrangement; and
- the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred and included within exceptional costs. The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified as a financial liability and subsequently remeasured to fair value, with changes in fair value recognised in profit or loss as an exceptional item. The amounts due under the contingent consideration arrangements are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the acquisition.

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.

1 Accounting policies (Continued)

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
- IT Development costs: 4 years
- Customer relationships: 10 years
- Trade names: 10 years

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 land and buildings	50 years
Leasehold land and buildings	remaining lease term
Plant, fixtures, fittings and equipment	3 to 15 years
Motor vehicles	4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

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

1 Accounting policies (Continued)

Leases
The Group leases various office and laboratory facilities, as well as certain laboratory, IT and office equipment. 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.

In addition, the carrying amount of lease liabilities and right-of-use asset is remeasured if there is a modification, a change in the lease term or a change in the fixed lease payments. The remeasured lease liability (and corresponding right-of-use asset) is calculated using a revised discount rate, based upon a revised incremental borrowing rate at the time of the change.

The Group leases properties in Nottingham, Cambridge, Chichester and London in the UK. 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 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.

1 Accounting policies (Continued)

Impairment of tangible and intangible 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.

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.

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 pf a financial instrument not at 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.

Financial assets

Financial assets are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

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

1 Accounting policies (Continued)

Financial assets held at amortised cost
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.

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.

Impairment of financial assets
Financial assets carried at amortised cost and Fair Value through Other Comprehensive Income are assessed for indicators of impairment at each reporting end date.

The expected credit losses associated with these assets are estimated on a forward-looking basis. A broad range of information is considered when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

For trade receivables, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Financial liabilities
The Group recognises financial debt when the Group becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

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 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.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the Group’s obligations are discharged, cancelled, or they expire.

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

1 Accounting policies (Continued)

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
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.

Employee benefits
The Group operates a number of defined contribution money purchase pension schemes 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.

Retirement benefits
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1 Accounting policies (Continued)

Share-based payments

The cost of equity settled transactions with employees is measured by reference to the fair value on the date they are granted. Where there are no market conditions attaching to the exercise of the options, the fair value is determined using a range of inputs into a Black-Scholes pricing model. Where there are market conditions attaching to the exercise of the options a Monte Carlo model is used to determine fair value based on a range of inputs. The value of equity-settled transactions is charged to the Statement of Comprehensive Income over the period in which the service conditions are fulfilled with a corresponding credit to the share option reserve in equity.

On the exercise of share options, an amount equal to the fair value of the option at the date it was granted is transferred from the share option reserve into retained earnings.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Foreign exchange

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.

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.

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. IT development costs relate to a laboratory information management system that was developed internally by the Group.

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.

2 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:

Critical judgements

Depreciation
The assessment of the useful economic lives, residual values and the method of depreciating of tangible fixed assets (including right-of-use assets) requires judgement. Depreciation is 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 annually, and amended as necessary, when changes in their circumstances are identified. The carrying value of tangible fixed assets at the year-end is £15,228,000 (2022: £19,952,000). There was depreciation in the year of £3,201,000 (2022: £3,409,000).

Amortisation
The assessment of the useful economic lives and the method of the amortisation of finitie life intangible fixed assets requires judgement. Amortisation is 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 annually, and amended as necessary, when changes in their circumstances are identified. The carrying value of intangible assets at the year end is £27,766,000 (2022: £34,180,000). There was amortisation in the year of £1,677,000 (2022: £747,000).

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. The value of deferred voucher income at the year end is £1,151,000 (2022: £1,158,000).

Impairment of trade receivables
The Group's policy on recognising an impairment of the trade receivables balance follows a review of individual receivable balances, their ageing and management's assessment of realisation. This review and assessment is conducted on an ongoing 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 £19,738,000 (2022: £25,677,000).

2 Critical accounting estimates and judgements (Continued)

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 6.8% per annum. Where leases include break dates the management have made a judgement that these will not be exercised.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model and the most appropriate inputs into the model including the level of volatility and the expected life of the option. Further information is given in note 27.

Inventory provisions

The Group's policy on recognising an impairment of inventory balance follows a review of individual inventory lines compared to management's latest forecast of volumes required. This review is conducted on an ongoing basis and any material change in management's assessment of inventory impairment is reflected in the carrying value of inventory. A provision of £78,000 (2022: £1,435,000) was made at the year-end date, primarily due to the age and need of some items held in stock for the Histopathology Diagnostics business. (2022: COVID-19 PCR testing stock).

Business combinations - intangible assets

The Group initially measures the separable intangible assets acquired in a business combination at their fair value at the date of acquisition. Management judgement is required in deriving a number of assumptions which are used in assessing the fair value of each acquisition intangible including the timing and amount of future incremental cash flows expected to be generated by the asset and in calculating an appropriate cost of capital. Management judgement is also required in assessing the useful economic lives of these assets for the purposes of amortisation.

Business combinations - contingent consideration

The Group estimated the contingent consideration related to LDPath, based on the quantum and mix of revenues from the acquisition date to 31 December 2024 based on management's financial forecasts at the date of the acquisition and discounted these back to their fair value at the date of acquisition. This exercise has been reviewed at the year-end date using actual revenues from the date of acquisition to the year-end date and management's updated forecasts or revenue and revenue mix for 2024 and 2025. Management judgement is required in preparing each set of financial forecasts as they contain a number of variables which can only be estimated. In addition, the movement in fair value of the contingent consideration is calculated using discount rates which also rely on management's judgement.

3 Operating segments

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.

	2023		2022	
	Revenue	Gross profit	Revenue	Gross profit
	£'000	£'000	£'000	£'000
Histopathology Diagnostics	**23,945**	**8,633**	18,654	6,934
Genomic and Multiomics	**6,460**	**2,219**	6,009	2,129
Core business units	**30,405**	**10,852**	24,663	9,063
Non-core Infectious Disease Testing	**-**	**-**	6,529	656
Other non-core operations	**-**	**-**	178	(118)
Total	**30,405**	**10,852**	31,370	9,601

Adjusted EBITDA (Alternative Performance Measure)
The Board and Executive Management team primarily use a measure of adjusted earnings before interest, tax, depreciation and amortisation, share based payments and exceptional items (EBITDA before share based payments and 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 of the Consolidated Statement of Profit and Loss.

Exceptional items are summarised in note 5.

4 Revenue

The Group manages its business segments on a global basis. The operations are based in the UK.

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

	2023	2022
	£'000	£'000
Revenue analysed by geographical market		
United Kingdom	30,215	31,073
Europe	77	149
USA	113	147
Rest of World	-	1
	30,405	31,370

4 Revenue (Continued)

No customers have contributed to more than 10% of Group revenue in either the current or prior year.

Group revenue has been recognised according to time as below:

	2023 £'000	2022 £'000
Recognised at a point in time	30,405	31,370
Recognised over time	-	-
	30,405	31,370

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

Assets	2023 £'000	2022 £'000
Contract assets relating to Histopathology Diagnostics contracts	7	-
Contract assets relating to Stability Storage contracts	-	11
Contract assets relating to Genomics and Multiomics contracts	437	104
	444	115

Liabilities	2023 £'000	2022 £'000
Contract liabilities relating to Histopathology Diagnostics contracts	-	13
Contract liabilities relating to Stability Storage contracts	-	805
Contract liabilities relating to other Genomics and Multiomics contracts	210	58
Contract liabilities relating to pre-paid Sanger Sequencing vouchers in Genomics	1,151	1,158
	1,361	2,034

4 Revenue (Continued)

The amount of revenue recognised from amounts previously included within contract liabilities at the start of the year was £2,034,000 (2022: £2,653,000).

Management expects that approximately 95% (2022: 95%) of the contract liabilities relating to pre-paid Sanger Sequencing vouchers at the year-end date will be recognised as revenue during 2024, the balance in 2025. Management expects that all of the contract liabilities relating to Genomics contracts at the year-end date will be recognised as revenue during 2024.

Management expects that approximately 100% (2022: 100%) of the contract assets will be recognised as cash during 2024.

5 Exceptional items

	2023 £'000	2022 £'000
Expenditure		
Professional fees in relation to the acquisition of LDPath (1)	-	681
Reorganisation costs (2)	120	716
Provision related to scale down of COVID-19 activities, primarily PCR testing and ceasing to supply lateral flow tests - inventory provision	(43)	1,572
Provision related to scale down of COVID-19 activities, primarily PCR testing and ceasing to supply lateral flow tests - impairment of tangible fixed assets	-	1,666
Impairment of right-of-use assets (3)	192	-
Adjustment to contingent consideration estimates in relation to the acquisition of LDPath (4)	2,294	3,076
Donation of medical supplies to the people of Ukraine	-	170
Fees in relation to the cancellation of admission on AIM and purchase of Ordinary Shares	(34)	622
Boots overcharge (2022) (5)	(55)	-
	2,474	8,503

1. The professional fees relate to the legal and advisory fees in relation to the acquisition of LDPath Limited in March 2022.
2. The reorganisation costs relate to reductions in headcount, principally in relation to COVID-19 PCR testing as the throughput declined significantly from its peak in 2021, as well as reductions in sales, general and administration headcount as the business right-sized its expense base as COVID-19 PCR testing declined.
3. The impairment of right-of-use assets relates to leased property in Source BioScience UK Limited.
4. The adjustment to contingent consideration relates to the increased aggregate fair value of contingent consideration
5. This is an adjustment to a prior year Boots overcharge.

6 Operating loss

Operating loss for the year is stated after charging/(crediting):	2023 £'000	2022 £'000
Exchange losses/(gains)	265	(430)
Depreciation of property, plant and equipment	3,201	3,409
Profit on disposal of property, plant and equipment	(15)	(30)
Amortisation of intangible assets (included within administrative expenses)	1,677	747
Impairment loss recognised on trade receivables	99	77

7 Employees

The average monthly number of persons (including Directors) employed by the Group during the year was:

	Group		Company	
	2023 Number	2022 Number	2023 Number	2022 Number
Laboratory services	172	185	-	-
Central services	33	63	5	6
Total	205	248	5	6

Their aggregate remuneration comprised:

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Wages and salaries	9,979	8,407	435	582
Social security costs	889	954	63	42
Pension costs	351	367	23	19
Share based payment	74	2,185	52	2,012
	11,293	11,913	573	2,655

Staff costs in the Company derive from the costs of the Directors. The Executive Chairman is employed by a wholly owned subsidiary company, SourceBio International, Inc.

8 Directors' remuneration

	2023 £'000	2022 £'000
Remuneration for qualifying services (including benefits-in-kind)	935	861
Company pension contributions to defined contribution schemes	52	42
	987	903

8 Directors' remuneration (Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2023 £'000	2022 £'000
Remuneration for qualifying services (including benefits-in-kind)	415	412
Company pension contributions to defined contribution schemes	24	23

At 31 December 2023, 2 Directors (2022: 2) had retirement benefits accruing under defined contribution pension schemes.

9 Retirement benefit schemes

Defined contribution schemes	2023 £'000	2022 £'000
Charge to profit or loss in respect of defined contribution schemes	351	367

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The year-end creditor amounted to £55,000 (2022: £52,000) and is included within social security and other taxation.

10 Other operating income

	2023 £'000	2022 £'000
Apprenticeship grant income	1	-
Settlement in relation to dispute with former employee	-	526
Research and development expenditure credit (RDEC)	237	81

11 Finance costs

	2023 £'000	2022 £'000
Interest on lease liabilities	471	446
Interest on deferred consideration on the acquisition of LDPath	675	617
Total interest expense	1,146	1,063

12 Finance income

	2023 £'000	2022 £'000
Interest income		
Financial instruments measured at amortised cost:		
Bank deposits	16	21
Other interest received	12	-
Total interest revenue	28	21

13 Income tax expense

	2023 £'000	2022 £'000
Current tax		
UK corporation tax on profits for the current period	-	(717)
Adjustments in respect of prior periods	(161)	(118)
Total UK current tax	(161)	(835)
Deferred tax		
Origination and reversal of temporary differences	(68)	(564)
Adjustment in respect of prior periods	181	77
	113	(487)
Total tax (credit)	(48)	(1,322)

13 Income tax expense (Continued)

The total tax charge/(credit) for the year included in the income statement can be reconciled to the profit/(loss) before tax multiplied by the standard rate of tax as follows:

	2023 £'000	2022 £'000
Loss before taxation	(5,430)	(13,548)
Expected tax credit based on the average UK corporation tax rate of 23.52% (2022: 19.00%)	(1,277)	(3,186)
Effect of expenses not deductible in determining taxable profit	461	520
Group relief	603	246
Depreciation on assets not qualifying for tax allowances	28	12
Other permanent differences	-	7
Adjustments in respect of prior periods	20	(46)
Share options not deductible for tax purposes	-	415
Non-deductible costs in relation to the acquisition of LDPath Limited	-	667
Plant and machinery super deduction	(4)	(108)
Movement in deferred tax not recognised	223	366
Effect of CT rate being lower than deferred tax rate	(4)	(215)
Overseas tax rate being different to UK corporation tax rate	(98)	-
Taxation credit for the year	(48)	(1,322)

14 Auditor's remuneration

	2023 £'000	2022 £'000
Fees payable to the Company's auditor and its associates:		
For audit services		
Audit of the financial statements of the Group and Company	134	151
For other services		
Other services	33	-

15 Discontinued operations

Source BioScience (Healthcare) Limited along with its subsidiaries, Source BioScience Ireland Limited, Source BioScience (Storage) Limited and Source BioScience Inc. were disposed on 12 December 2023. Revenue and expenses, and gains and losses relating to the discontinuation of the activity of these subsidiaries have been removed from the results of the continuing operations and are shown as a single line on the Statement of Comprehensive Income.

The results of the discontinued business, which have been included in the Statement of Comprehensive Income, were as follows:

	2023 £'000	2022 £'000
Revenue	7,104	6,763
Cost of sales	(2,394)	(2,588)
Gross profit	4,710	4,175
Administrative expenses	(2,646)	(2,198)
Other operating income	-	454
Exceptional items	1,138	(2,504)
Operating profit	3,202	(73)
Finance costs	(79)	(88)
Profit/(loss) before taxation	3,123	(161)
Income tax expense	(235)	(57)
Profit/(loss) after taxation	2,888	(218)
Profit on sale of discontinued operations (See note 20)	20,835	-
Net profit/(loss) attributable to discontinuation	23,723	(218)

16 Intangible assets

Group	Goodwill	Software	Trade names	IT development costs	Customer relationships	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2022	61,331	34	-	831	185	62,381
Additions	-	25	-	769	-	794
Acquisition of LDPath	15,684	-	3,481	3,511	1,290	23,966
Disposals	-	-	-	(18)	-	(18)
At 31 December 2022	77,015	59	3,481	5,093	1,475	87,123
Additions - purchased	-	12	-	1,204	-	1,216
Disposal of SBS Healthcare	(5,939)	-	-	(16)	-	(5,955)
At 31 December 2023	71,076	71	3,481	6,281	1,475	82,384
Amortisation and impairment						
At 1 January 2022	51,338	15	-	658	185	52,196
Charge for the year	-	2	270	375	100	747
At 31 December 2022	51,338	17	270	1,033	285	52,943
Charge for the year	-	7	348	1,193	129	1,677
Eliminated on disposal of SBS Healthcare	-	-	-	(2)	-	(2)
At 31 December 2023	51,338	24	618	2,224	414	54,618
Carrying amount						
At 31 December 2023	19,738	47	2,863	4,057	1,061	27,766
At 31 December 2022	25,677	42	3,211	4,060	1,190	34,180

The Company holds no intangible fixed assets (2022: £nil).

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.

16 Intangible assets (Continued)

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

	2023	2022
	£'000	£'000
Histopathology Diagnostics	17,142	17,142
Genomics and Multiomics	2,596	2,596
Stability Storage	-	5,939
Core business units	19,738	25,677

In accordance with IAS 36, a cash generating unit ("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 three or five year period and a terminal growth rate thereafter.

The 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 Histopathology Diagnostics and Genomics and Multiomics business units. In particular, a continued strong increase in demand for Cellular Pathology and Digital Pathology testing services. Detailed line by line monthly forecasts have been prepared from 2023 through 2025 or 2026. Sensitivities of the forecast have been evaluated. A reduction in the forecasted revenues of approximately 40% in the core business units of Histopathology Diagnostics and Genomics and Multiomics in each year from 2023 to 2026 would result in an impairment.

Discount rate
The Group's 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 11.7% (2022: 11.7%).

Terminal growth rate
An appropriate terminal growth rate is selected, based on the Directors' expectations of growth beyond the detailed forecast period. The growth rate used post the forecast period is 2.0% (2022: 2.0%) 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.

	2023	2022
	%	%
Histopathology Diagnostics	21.0	43.0
Genomics and Multiomics	N/a	N/a

The growth rate 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

Group	Freehold land and buildings	Leasehold land and buildings	Plant, fixtures, fittings and equipment	Motor vehicles	Right-of-use-assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2022	2,783	1,493	6,762	5	12,840	23,883
Additions	8	244	2,964	-	3,752	6,968
Acquisition of LDPath	-	-	526	-	579	1,105
Disposals	-	(21)	(1,488)	-	(114)	(1,623)
Lease modification	-	-	-	-	(295)	(295)
Foreign currency adjustments	-	132	218	-	5	355
At 31 December 2022	2,791	1,848	8,982	5	16,767	30,393
Additions	-	393	1,373	-	1,094	2,860
Disposal of SBS Healthcare	(2,783)	(1,206)	(2,489)	-	(441)	(6,919)
Transfers	(8)	8	-	-	-	-
Disposals	-	-	(266)	-	-	(266)
Foreign currency adjustments	-	(47)	(78)	-	-	(125)
At 31 December 2023	-	996	7,522	5	17,420	25,943
Accumulated depreciation and impairment						
At 1 January 2022	625	251	1,936	5	2,493	5,310
Charge for the year	46	135	1,694	-	1,534	3,409
Impairment loss	-	-	1,124	-	2,008	3,132
Eliminated on disposal	-	(21)	(1,537)	-	(59)	(1,617)
Foreign currency adjustments	-	8	198	-	1	207
At 31 December 2022	671	373	3,415	5	5,977	10,441
Charge for the year	47	199	1,836	-	1,119	3,201
Impairment loss	-	-	-	-	192	192
Eliminated on disposal of SBS Healthcare	(718)	(291)	(1,681)	-	(137)	(2,827)
Eliminated on disposals	-	-	(218)	-	-	(218)
Foreign currency adjustments	-	-	(74)	-	-	(74)
At 31 December 2023	-	281	3,278	5	7,151	10,715
Carrying amount						
At 31 December 2023	-	715	4,244	-	10,269	15,228
At 31 December 2022	2,120	1,475	5,567	-	10,790	19,952

17 Property, plant and equipment (Continued)

The lease modification relates to a renegotiated lease termination date.

The Company holds no tangible fixed assets (2022: £nil).

Depreciation is charged to administrative expenses within profit or loss.

18 Investments

Company	**Non-current**	
	2023	**2022**
	£'000	**£'000**
Investments in subsidiaries	15,402	15,380

Movements in non-current investments

	Shares in subsidiaries
	£'000
Cost or valuation	
At 1 January 2023	66,094
Additions	22
At 31 December 2023	66,116
Impairment	
At 1 January 2023 & 31 December 2023	(50,714)
Carrying amount	
At 31 December 2023	15,402
At 31 December 2022	15,380

19 Subsidiaries

Details of the company's subsidiaries at 31 December 2023 are as follows:

Name of undertaking	Address	Principal activities	Class of shares held	% Held Direct	% Held Indirect
SourceBio International Inc.	1	Management services	Ordinary	-	100.00
Source BioScience UK Limited	3	Provision and distribution of diagnostic and genomic services	Ordinary	-	100.00
Source Genomics Limited	3	Non-trading	Ordinary	-	100.00
LDPath Limited	3	Provision and distribution of diagnostic services	Ordinary	-	100.00
Source BioScience Limited	3	Holding company	Ordinary	100.00	-
Select Pharma Laboratories Limited	2	Non-trading	Ordinary	-	100.00
Source BioScience (Orchard Place) Limited	3	Non-trading	Ordinary	-	100.00
Source BioScience (Cyrobank) Limited	3	Non-trading	Ordinary	-	100.00
Fairfield Imaging Limited	3	Non-trading	Ordinary	-	100.00
Fairfield Telepathology Limited	3	Non-trading	Ordinary	-	100.00
Kinetic Imaging Limited	3	Non-trading	Ordinary	-	100.00
Cryobank Guarantor Limited	3	Non-trading	Ordinary	-	100.00
Source BioScience Scotland Limited	2	Non-trading	Ordinary	-	100.00

Registered office addresses (all UK unless otherwise indicated):

1 251 Little Falls Drive, Wilmington, New Castle, Delaware, DE 19808, USA
2 3rd Floor, 2 Semple Street, Edinburgh, EH3 8BL, Scotland
3 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX, England

Source BioScience (Healthcare) Limited along with its subsidiaries, Source BioScience Ireland Limited, Source BioScience (Storage) Limited and Source BioScience Inc. were disposed on 12 December 2023.

Geneservice Limited, a non-trading company, was dissolved on 31 October 2023.

The Group has agreed to guarantee the liabilities of Source BioScience (Orchard Place) Limited (registered number 06670095) and Source Genomics Limited (registered number 14552442) thereby allowing these companies to take exemption from audit under 479A of the Companies Act 2006.

20 Business disposals

On 12 December 2023 the Group disposed of its 100% holding in Source BioScience (Healthcare) Limited along with its subsidiaries, Source BioScience Ireland Limited, Source BioScience (Storage) Limited and Source BioScience Inc..

Included in these financial statements are profits of £20,835,000 arising from the Group's interests in Source BioScience (Healthcare) Limited along with its subsidiaries, Source BioScience Ireland Limited, Source BioScience (Storage) Limited and Source BioScience Inc. up to the date of its disposal.

Net assets of business disposed of	**£'000**
Cash and cash equivalents	473
Intangible assets	5,953
Property, plant and equipment	4,092
Trade and other receivables	1,243
Inventories	103
Trade and other payables	(1,396)
Tax liabilities	(115)
	10,353
Fees incurred	1,615
Gain on disposal	20,835
Total consideration	32,803

The consideration was satisfied by:	**£'000**
Cash	32,803

Net cash inflow arising on disposal	**£'000**
Cash consideration received	32,803
Cash and cash equivalents disposed of	(473)
	32,330

21 Inventories

Group	2023 £'000	2022 £'000
Raw materials	1,413	807

Inventories recognised as an expense during the year ended 31 December 2023 amounted to £3,615,000 (2022: £7,135,000). 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 £78,000 for the year (2022: £1,435,000) were deducted from gross inventories in the amounts above, of which £Nil were shown in cost of sales (2022: £Nil) and £Nil were shown within exceptional items (2022: £1,572,000). These provisions were made primarily for age and obsolescence of Histopathology stock (2022: COVID-19 PCR testing stock).

22 Trade and other receivables

Group	2023 £'000	2022 £'000
Trade receivables	4,313	5,855
Provision for bad and doubtful debts	(99)	(77)
	4,214	5,778
Contract costs recoverable (note 4)	444	115
Other receivables	72	148
Prepayments	933	807
	5,663	6,848

Trade receivables are non-interest bearing and are normally settled monthly.

Credit risk is assessed by reference to the customer base and is considered low. Any trade receivables or contract assets 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 trade receivables, the Group considers any changes in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The trade receivables that are neither past due nor impaired relate 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 the 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.

23 Trade and other receivables

Company	2023 £'000	2022 £'000
Amounts owed by fellow group undertakings	37,206	39,458
Prepayments	29	34
	37,235	39,492

Amounts owed by fellow group undertakings are interest-free with amounts due repayable on demand. No provision is considered to be required on the amounts owed by subsidiary undertakings as immaterial.

24 Trade receivables - credit risk

Fair value of trade receivables

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

An analysis of the Group trade receivables is as follows:

Expected credit loss assessment	Gross	Provision applied	Net of impairment
Trade receivables	**£'000**	**%**	**£'000**
2023			
Not past due	2,299	0.7	2,284
Past due 0 - 30 days	1,327	0.7	1,317
Past due 31 - 60 days	537	0.6	534
Past due 61 - 90 days	80	1.3	79
Past due 90+ days	70	100	-
	4,313	97.70	4,214

	Gross	Provision applied	Net of impairment
Trade receivables	**£'000**	**%**	**£'000**
2022			
Not past due	1,495	0.5	1,487
Past due 0-30 days	2,702	0.5	2,689
Past due 31-60 days	1,098	0.4	1,093
Past due 61-90 days	456	0.7	453
Past due 90+ days	104	45.1	56
	5,855	1.30	5,778

24 Trade receivables - credit risk (Continued)

Movement in the allowances for doubtful debts	2023 £'000	2022 £'000
Balance at 1 January 2023	77	146
Additional allowance recognised	99	77
Utilised in the year	(77)	(146)
Balance at 31 December 2023	99	77

25 Share capital

	Group and company			
Ordinary share capital	**2023 Number**	**2022 Number**	**2023 £'000**	**2022 £'000**
Issued and fully paid				
Ordinary shares of 0.15p each	68,201,674	68,201,674	102	102
A1 Shares of 0.01p each	6,967,994	-	1	-
	75,169,668	68,201,674	103	102

Preference share capital	**2023 Number**	**2022 Number**	**2023 £'000**	**2022 £'000**
Issued and fully paid				
Redeemable Preference shares of 0.15p each	3,478,261	-	5	-
Preference shares classified as equity			5	-
Total equity share capital			108	102

The ordinary shares have equal rights in respect of voting, dividend and capital distribution (including on winding up) rights.

On 19 December 2023, the Company issued 6,967,994 A1 Ordinary shares of £0.0001 each for consideration of £41,000. A1 Ordinary shares have capital distribution right as per article 3.4.1 and no voting or dividend distribution rights.

On 19 December 2023, the Company issued 3,478,261 Redeemable Preference shares of £0.0015 each for consideration of £3,995,000. The redeemable preference shares have preferential capital distribution rights, are entitled to a dividend and have no voting rights.

26 Description of the nature of each reserve within equity

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.

Share option reserve
The share option reserve represents the accumulated balance of share based payment charges recognised in respect of share options granted by the Company less transfers to retained earnings in respect of share options exercised, cancelled or lapsed.

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

Share allotment reserve
The share allotment reserve is used to show contributions to equity, not yet allotted.

The share allotment reserve comprised a convertible loan note of £4.0 million to North Atlantic Value GP 5 LLP on behalf of (and as a general partner for) Harwood Private Equity V LP. Following the cancellation of admission to AIM and the subsequent re registration of the Company as a private limited company (which occurred on 18 January 2023), the convertible loan note converted into redeemable preference shares in the Company, held by North Atlantic Value GP 5 LLP on behalf of (and as general partner for) Harwood Private Equity V LP), on the basis of 115 pence per redeemable preference share. The convertible loan note is interest free and has been shown within equity which is consistent with the treatment of the redeemable preference shares.

Capital redemption reserve
The capital redemption reserve reflects the nominal value of shares repurchased by the Company.

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

27 Share-based payments

At 31 December 2021 and 1 January 2022 share options granted to Directors and employees remained unexercised under two different arrangements, both of which were established in 2021. The share option arrangements comprised an unapproved Executive Share Option Plan ("ESOP") and a Save As You Earn ("SAYE") scheme. Following the decision to seek approval to cancel the admission to AIM, both the ESOP and the SAYE schemes were closed in December 2022 and all share options were cancelled.

On 19 December 2023 the Company issued 6,967,994 of £0.0001 A shares for £1.05 per share. The shares have an exercise price of 115p per share and an expected vest date of 31 January 2028. Shares are capable of exercise on an exit event, with a threshold that the share price must be a minimum of 115p at the time of the exercise and the shares would ordinarily lapse on leaving employment with the Group.

The fair values of the shares granted were estimated at the date of grant using a Black-Scholes option pricing model and the awards had non-market performance vesting conditions. The key inputs to the share pricing model in respect of the outstanding shares at 31 December 2023 are summarised below.

Number of shares granted in the year	6,967,994
Date of grant	19/12/23
Expected volatility	30%
Expected dividend yield	0%
Expected share life	5 years
Risk-free interest rate	4.5%
Fair value of shares	£0.3273

28 Trade and other payables

	Current		Non-current	
	2023	2022	2023	2022
Group	£'000	£'000	£'000	£'000
Trade payables	3,899	6,286	-	-
Other creditors	211	-	-	-
Contract liabilities (note 4)	1,303	1,975	58	59
Accruals	1,429	1,717	-	-
Deferred consideration in relation to acquisition of LDPath	1,889	-	-	1,824
Social security and other taxation	371	443	-	-
Contingent consideration in relation to acquisition of LDPath	3,859	3,348	3,744	4,631
	12,961	13,769	3,802	6,514

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.

29 Trade and other payables

Company	2023 £'000	2022 £'000
Trade payables	29	154
Amounts owed to fellow group undertakings	1,145	961
Accruals	244	857
	1,418	1,972

Amounts owed to fellow group undertakings are interest-free with amounts due repayable on demand.

30 Borrowings

Bank loans and overdrafts

In anticipation of the Company's Tender Offer, the Group secured bank borrowing facilities with Barclays Bank PLC totalling £8,000,000 in November 2022. Details of these arrangements are summarised below.

- a term loan facility of £4,000,000 - this is repayable within three years, subject to an extension option of up to two years, this facility available for the purposes of the Tender Offer; and
- a revolving credit facility of £4,000,000 - this is repayable within three years, subject to an extension option of up to two years, this facility available for working capital purposes.

The Board decided not to draw the term loan facility and therefore this facility is no longer available. At 31 December 2023, the Group had no borrowings but the revolving credit facility of £4,000,000 remains available for potential future working capital purposes, and Barclays Bank PLC retains a fixed and floating charge over certain Group assets.

31 Lease liabilities

Group Maturity analysis	2023 £'000	2022 £'000
Within one year	1,550	1,741
Over one year but within five years	3,975	7,435
After five years	11,000	11,500
Total undiscounted liabilities	16,525	20,676

31 Lease liabilities (Continued)

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 cash. No sensitivity has been provided as the impact of a change in interest rates on cash balances is not expected to be material.

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2023 £'000	2022 £'000
Current liabilities	1,307	1,741
Non-current liabilities	11,875	14,275
	13,182	16,016

Amounts recognised in profit or loss include the following:	2023 £'000	2022 £'000
Interest on lease liabilities	471	444

The Group had total cash outflows for leases of £1,550,000 in 2023 (2022: £1,431,000). The lease liabilities are calculated based on a discounted total of future lease payments and therefore include an element of financing costs.

32 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

Group	Accelerated tax depreciation £'000	Tax losses £'000	Leases £'000	Acquired intangible assets £'000	Other £'000	Total £'000
Liability at 1 January 2022	724	-	(774)	-	(29)	(79)
Deferred tax movements in prior year						
Charge/(credit) to profit or loss	(92)	(260)	(160)	-	(3)	(515)
Acquisition of LDPath	266	(185)	-	1,993	-	2,074
Liability at 1 January 2023	898	(445)	(934)	1,993	(32)	1,480
Deferred tax movements in current year						
Charge/(credit) to profit or loss	524	(21)	74	(484)	20	113
Transfer on disposal	(130)	-	34	-	2	(94)
Liability at 31 December 2023	1,292	(466)	(826)	1,509	(10)	1,499

Following the March 2021 budget, legislation had been substantively enacted before the year end date for the main rate of corporation tax to increase from 19% to 25% from 1 April 2023. The deferred tax balances within these financial statements have therefore been calculated to reflect the rate increasing to 25%.

33 Share option reserve

	2023 £'000	2022 £'000
At the beginning of the year	-	77
Additions	74	2,185
Other movements	-	(2,262)
At the end of the year	74	-

34 Cash (absorbed by)/generated from operations

Group	2023 £'000	2022 £'000
Profit/(loss) for the year from:		
Continuing operations	(5,382)	(12,226)
Discontinued operations	23,723	(218)
Profit/(loss) for the year	18,341	(12,444)
Adjustments for:		
Finance costs	1,254	1,151
Investment income	(28)	-
Other operating income	-	(81)
Share based payment charges	74	2,185
Taxation	(48)	(1,265)
Gain on disposal of property, plant and equipment	(15)	(30)
Amortisation and impairment of intangible assets	1,677	747
Depreciation and impairment of property, plant and equipment	3,393	6,541
Gain on sale of discontinued operations	(20,835)	-
Acquisition costs	(1,615)	-
Decrease in provisions	-	(155)
Movements in working capital:		
(Increase)/decrease in inventories	(709)	4,233
(Increase)/decrease in trade and other receivables	(58)	1,798
Decrease in trade and other payables	(1,813)	(1,440)
Cash (absorbed by)/generated from operations	(382)	1,240

Company	2023 £'000	2022 £'000
Loss for the year after income tax	(1,779)	20,542
Adjustments for:		
Share based payment charges	52	2,012
Taxation	(18)	-
Movements in working capital:		
Decrease/(increase) in trade and other receivables	2,257	(20,617)
(Decrease)/increase in trade and other payables	(554)	941
Cash (absorbed by)/generated from operations	(42)	2,878

35 Financial instruments and risk management

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

Financial assets measured at amortised cost

	2023 £'000	2022 £'000
Cash and cash equivalents	33,917	9,443
Trade receivables	4,214	5,778
Contract assets	444	115
Other receivables	72	148
Total	38,647	15,484

Financial liabilities measured at amortised cost

	2023 £'000	2022 £'000
Trade payables	3,899	6,286
Other payables - deferred and contingent consideration	5,171	9,803
Accruals	1,429	1,717
Lease liabilities	13,182	16,016
	23,681	33,822

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

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

The Group is exposed to a variety of financial risks through its use of financial instruments which result from its operating activities.

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 in their respective notes.

36 Credit risk

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

	Maximum credit risk	
	2023	2022
	£'000	£'000
Cash and cash equivalents	33,917	9,443
Trade receivables	4,214	5,778
Contract assets	444	115
Other receivables	72	148

Credit risk is the risk of financial risk to the Group if a counterparty to a financial instrument fails to meet 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 £99,000 (2022: £77,000).

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

37 Events after the reporting date

Following the disposal of the Stability Storage Business Unit, the Group took advantage of the significant cash reserves to carry out a capital reduction exercise of 4,974,000 shares and also declare a dividend of 0.2848p per share of £19 million, distributed on 5 April 2024.

The Group took the decision to restructure the Digital Pathology division and as a result, the London Office was closed for operational use. The site is under lease with a break clause in 2027, the Group are planning to find a replacement lessee before this date to minimise the remaining lease obligation.

38 Liquidity risk

Liquidity risk represents the contingency that the Group is unable to gather the funds required with respect of 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.

The tables below analyse the Group's financial liabilities into relevant maturity groups based on their contractual maturities. The amounts disclosed in the tables are the contractual undiscontinued cash flows.

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000
At 31 December 2022				
Trade and other payables	6,286	-	-	6,286
Accruals	1,717	-	-	1,717
Lease liabilities	2,316	6,397	12,538	21,251
Contingent consideration in relation to acquisition of LDPath	3,984	5,513	-	9,497
Deferred consideration in relation to acquisition of LDPath	-	2,172	-	2,172
	14,303	14,082	12,538	40,923

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000
At 31 December 2023				
Trade and other payables	3,507	-	-	3,507
Accruals	1,821	-	-	1,821
Lease liabilities	1,550	3,975	11,000	16,525
Contingent consideration in relation to acquisition of LDPath	3,859	3,744	-	7,603
Deferred consideration in relation to acquisition of LDPath	1,889	-	-	1,889
	12,626	7,719	11,000	31,345

39 Market risk

Foreign exchange 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 to ensure adequate funds are maintained in appropriate currencies to meet known liabilities:

The Group exposure to foreign currency risk is as follows:

	2023 USD'000	2022 USD'000	2023 EUR'000	2022 EUR'000
Cash	25	265	728	2,366
Other monetary assets	-	79	-	390
	25	344	728	2,756

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

40 Capital commitments

The Group and Company had no capital commitments at the year end (2022: £nil).

41 Related party transactions

Remuneration of key management personnel

	2023 £'000	2022 £'000
Salaries and short-term employee benefits	987	861
Employer's national insurance charges	84	88
Pension costs - defined contribution	49	42
Share-based payments	74	1,510
	1,194	2,501

The key management figures given above comprise Executive and Non-Executive Directors.

The ESOP and SAYE schemes were closed in December 2022 and therefore there were no share-based payments during the year.

41 Related party transactions (Continued)

Transactions with related parties
There were no transactions with entities with control, joint control or significant influence over the Group.

Related companies
On 29 October 2020, a lease was granted by Harwood Business Park Investments Limited, a company incorporated in England and Wales, which was related by virtue of Christopher Mills being a common Director, to Source BioScience UK Limited for a term of 25 years. The lease has a remaining term of 22 years at a current annual rent of £371,000 (excluding VAT) which increases annually at a rate of 3% on each anniversary of the lease term. During the year the Group incurred rental costs from Harwood Business Park Investments Limited totalling £374,000 (2022: £362,000) which was paid in the year.

During the prior year, the Company issued a convertible loan note of £4,000,000 to North Atlantic Value GP 5 LLP on behalf of (and as a general partner for) Harwood Private Equity V LP which was related by virtue of Christopher Mills being a director of the Company and being a director of Harwood Capital Management Limited, which is a member of Harwood Capital LLP which is the fund manager for Harwood Private Equity V LP. On 26 January 2023, the convertible loan note was converted into 3,478,261 redeemable preference shares of 0.15 pence each in the capital of the Company.

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.

42 Capital risk management

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.
- to provide an adequate return to shareholders by pricing 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 to shareholders, issue new shares or sell assets.

Consistent with others in the industry, the Group monitors capital on the basis 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	**2023**	**2022**
	£'000	**£'000**
Lease liabilities	(13,182)	(16,016)
Cash and cash equivalents	33,917	9,443
Net cash/(debt)	20,735	(6,573)
Share capital	108	102

Group	**2023**	**2022**
	£'000	**£'000**
Gross borrowings - fixed interest rates	(13,182)	(16,016)
Cash and cash equivalents	33,917	9,443
Net cash/(debt)	20,735	(6,573)

43 Analysis of changes in net funds/(debt)

Group	1 January 2023 £'000	Cash flows £'000	New finance leases £'000	Other non-cash changes £'000	Exchange rate movements £'000	31 December 2023 £'000
Cash at bank and in hand	9,443	23,996	-	-	478	33,917
Lease liabilities	(16,016)	2,211	(1,094)	1,717	-	(13,182)
	(6,573)	26,207	(1,094)	1,717	478	20,735

	1 January 2022 £'000	Cash flows £'000	New finance leases £'000	Other non-cash changes £'000	Exchange rate movements £'000	31 December 2022 £'000
Cash at bank and in hand	33,304	(23,932)	-	-	71	9,443
Lease liabilities	(12,995)	1,431	(3,920)	(532)	-	(16,016)
	20,309	(22,501)	(3,920)	(532)	71	(6,573)

Other non-cash changes include interest and disposals.

44 Controlling party

There is no single ultimate controlling party of the Group.