SourceBio
International plc

Annual Report & Accounts

For the year ended 31 December

2021

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SourceBio
International plc

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

The Group's revenues are derived from four business units:

Healthcare Diagnostics - histopathology cancer screening (Cellular and Digital Pathology) and clinical diagnostic services for the NHS and private healthcare across the UK and Ireland.

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

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

Infectious Disease Testing - a range of COVID-19 testing services for commercial enterprises, private healthcare groups and the NHS, including PCR testing under ISO 15189 accreditation. SourceBio also provides employee testing solutions to industry, direct to consumer home test kits and venue testing.

CORPORATE, FINANCIAL AND OPERATIONAL HIGHLIGHTS

Corporate highlights

- In March 2022, the Group completed the strategic acquisition of LDPath Limited, a pioneer in digital scanning technology for histopathology. The acquisition strengthens SourceBio's position to become the leading outsourced partner providing Cellular and Digital Pathology testing services to NHS Trusts and private healthcare providers in the UK
- The enlarged Group will target the conversion of both NHS and private clients to the Digital Pathology offering, including the use of Artificial Intelligence ("AI") to further streamline the reporting of more routine pathology cases and to ensure the highest quality of reporting

Financial highlights

- Revenue increased by 82% to £92.4 million (2020: £50.7 million)
- Gross profit increased by 77% to £36.2 million (2020: £20.5 million)
- Adjusted EBITDA[1] increased by 70% to £24.1 million (2020: £14.2 million)
- Basic and diluted EPS increased by 325% to 22.5 pence per share (2020: 5.3 pence per share)
- Cash generated from operations increased by 420% to £33.3 million (2020: £6.4 million)
- Cash balance increased by £24.9 million to £33.3 million (2020: £8.4 million) with no bank borrowings

[1] Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, share based payments and exceptional costs

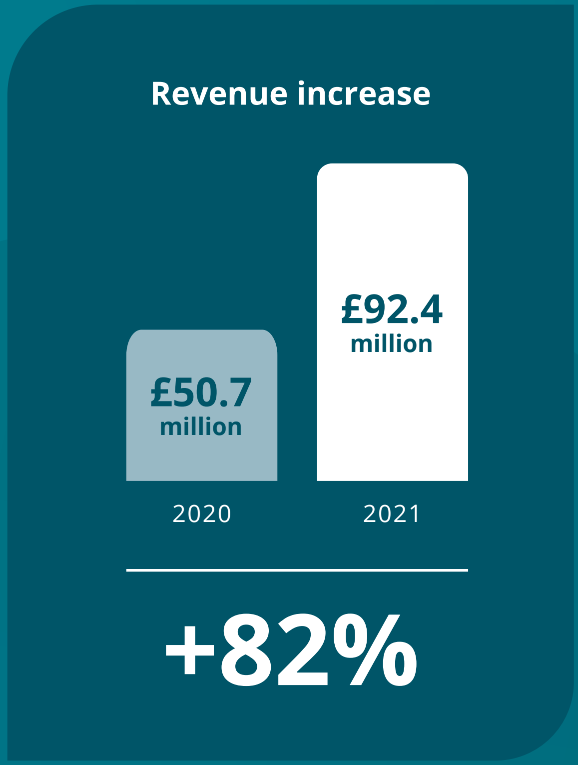
Operational highlights

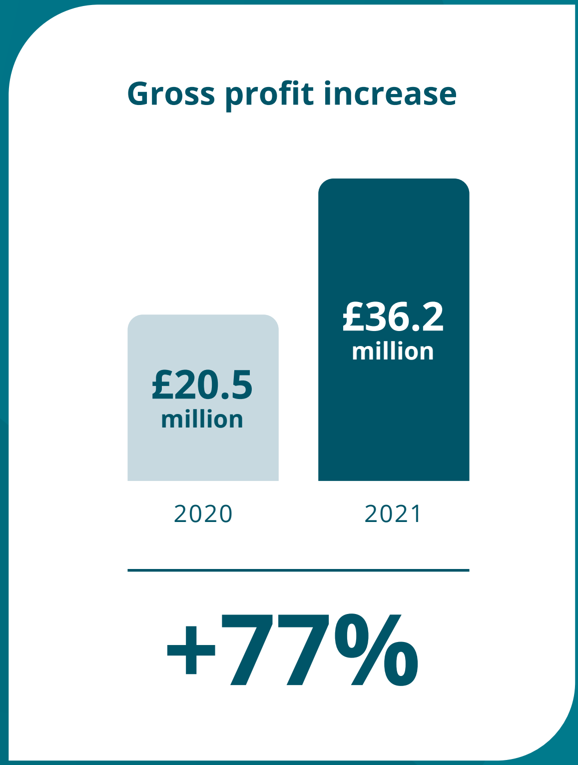
2021

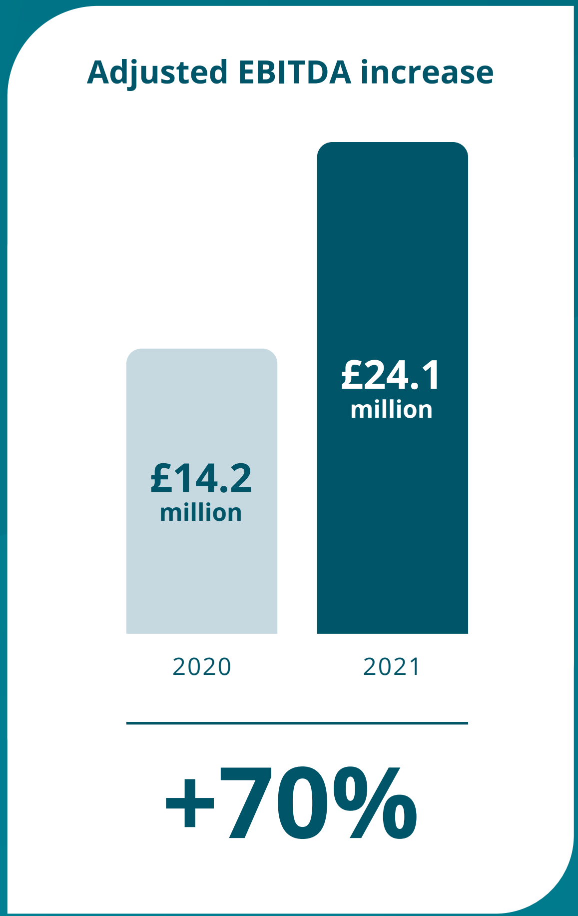
- Significant scale-up of the Nottingham laboratory facilities, initially for increased COVID-19 PCR testing volumes, now being repurposed towards Cellular Pathology as actual and anticipated volumes increase
- Further enhanced the management team, including strategic marketing, as the Group's focus moves from high-volume COVID-19 PCR testing towards aggressive growth in the core business units
- Successful UKAS audit and full accreditation renewal, with superlative feedback

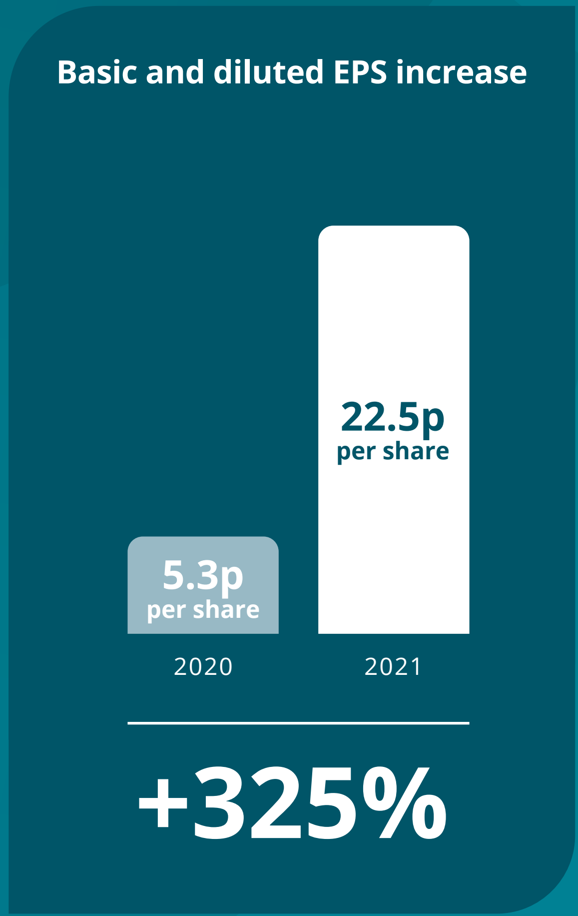
Post year end

- Solid start to the new year's trading in the core business units
- Launch of a Precision Medicine business line within the Genomics business unit, capitalising on the Group's existing Reference Laboratory offering and its clinical trials work
- Successful UKAS accreditation of SourceBio's Digital Pathology Platform
- Integration of the LDPath acquisition is well underway. The enlarged team, branded as SourceLDPath, are spearheading an aggressive campaign to roll-out the Group's Digital Pathology offering to both NHS and private healthcare clients









STRATEGIC REPORT

EXECUTIVE CHAIRMAN'S REVIEW

SourceBio has closed a record year of business in 2021, with material growth in revenues, gross margin and cash generation. Given the current market environment, the Board believes that SourceBio is well positioned to deliver further attractive growth in revenue and margin from its core business units in 2022.

Jay LeCoque
Executive Chairman

SUMMARY OF 2021

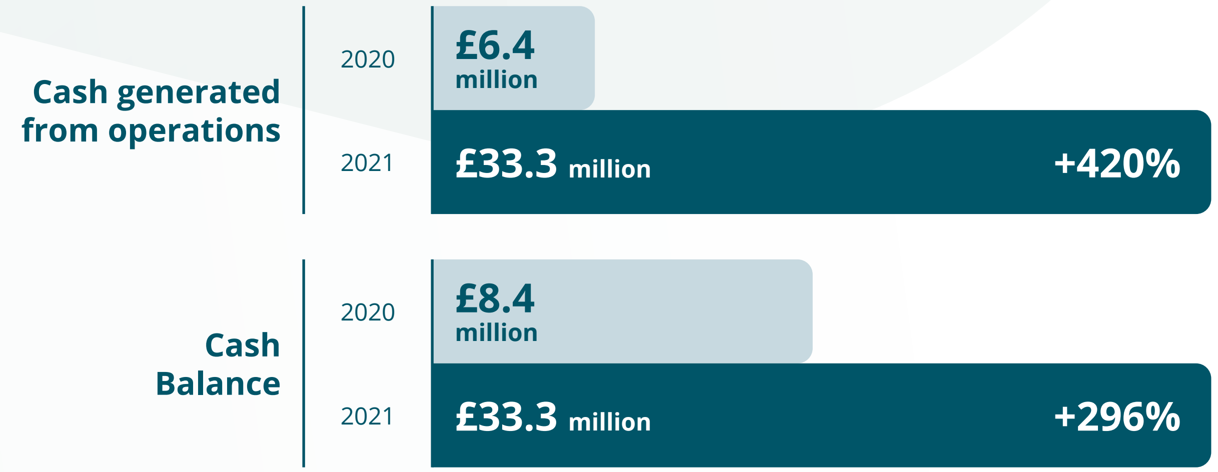
I am pleased to report 2021 as a year of significant growth and achievement in the business, indeed a record trading year for the Group.

The Group has delivered substantial progress and has reported very strong financial results for 2021 that will fuel further growth initiatives in its core base business units, both organically and via acquisition.

The key performance indicators currently used by the Group are revenue, gross profit, adjusted EBITDA and cash resources. Revenues for the year totalled £92.4 million, an increase of 82% on the prior year revenues of £50.7 million, gross profit was £36.2 million, an increase of 77% on the prior year gross profit of £20.5 million, and adjusted EBITDA was £24.1 million, an increase of 70% on the prior year adjusted EBITDA of £14.2 million. Cash balances at the year-end date totalled £33.3 million with no bank or shareholder borrowings, compared to cash of £8.4 million at the prior year-end date, highlighting the Group's very strong cash conversion. Further details of the financial performance can be found in the Chief Financial Officer's Review and within the financial statements.

The continued impact of the COVID-19 pandemic in 2021 has clearly provided many ongoing challenges across the globe. SourceBio mitigated the challenges by offering large-scale laboratory based COVID-19 PCR testing services from its Nottingham facility, delivered from a newly created Infectious Disease Testing business unit. It grew the scale of this operation through 2020 and further in 2021. This enabled the Infectious Disease Testing business unit to provide a significant component of revenue, gross margin and cash generation in the year. The acquisition of LDPath in March 2022, a digital leader in histopathology, demonstrated the Group's capability to secure strategic acquisitions that accelerate revenue and profit growth in its core business units. A more detailed review of the year, by business unit, is presented below.

The Board is very grateful for the significant hard work and dedication of the entire SourceBio team in 2021 and for the many achievements in what has certainly been a uniquely challenging backdrop. The Board is also appreciative of shareholders for their continued strong support.



BUSINESS REVIEW

The business comprises three core business units - Healthcare Diagnostics, Genomics, Stability Storage, plus a fourth business unit, Infectious Disease Testing. Starting with Healthcare Diagnostics, a brief review of each business unit is detailed below.

The Board believes that SourceBio is well positioned to deliver further attractive growth from these core business units in 2022

Healthcare Diagnostics

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

The principal revenue stream within Healthcare Diagnostics is Cellular Pathology testing, which involves the examination of patient tissue pre- and post-operative. This business had rapidly grown in recent years, at approximately 40% per annum in 2018 and 2019. The arrival of the COVID-19 pandemic in the first quarter of 2020 and its continued impact had a material effect on the quantity of elective surgeries in the UK and thus the value of Cellular Pathology revenues in the latter nine months of 2020 and for the first half of 2021. The growing size of the national elective surgery waiting lists, or backlog, has been very well publicised in the media and the Group prepared itself for a material scale-up in activity. The level of business increased through 2021 as efforts were made to tackle the mounting backlog of elective surgeries.

The second quarter of 2021 delivered revenues nearly 80% higher than the first quarter, the third quarter of 2021 then delivered revenues nearer 60% higher than the second quarter. The momentum of growth did slow to a degree in the final quarter of 2021 as the Omicron variant of COVID-19 caused further challenges, causing revenues to dip approximately 11% below those generated in the third quarter, although still approximately 150% higher than the first quarter.

In aggregate, these services generated revenues totalling £6.4 million (2020: £4.4 million) and a gross profit of £2.1 million (2020: £1.0 million), equating to a gross margin percentage of 33.3% (2020: 23.6%), the increase driven by the increased volumes of business.

Genomics

Genomics is the study of genes to help progress research and clinical discovery for the pharmaceutical and healthcare industries. SourceBio offers both traditional Sanger Sequencing, which for many years has been the industry accepted standard for sequencing single strands of DNA at a time, and Next Generation Sequencing ("NGS"), which allows the sequencing of millions of strands of DNA at once. NGS sequencing projects are typically larger in scale and complexity but fewer in number. Following the strategic investment in state-of-the-art NGS equipment in late 2019, the 2020 NGS revenues increased from 25% to 33% of total Genomics revenues and this further increased to 41% of total Genomics revenues in 2021. Genomics revenue streams were impacted by COVID-19 in 2020 but bounced back quickly.

In aggregate, these services generated revenues totalling £5.0 million (2020: £4.2 million) and a gross profit of £1.9 million (2020: £1.7 million), equating to a gross margin percentage of 38.7% (2020: 41.1%).

Stability Storage

The Stability Storage business unit comprises three offerings: Stability Storage Services, Manufacturing and Service and Validation.

The largest of these offerings is Stability Storage Services, which generated 54% (2020: 52%) of this business unit's revenues, with revenue increasing to £3.8 million in the year (2020: £3.5 million). SourceBio delivers outsourced temperature and humidity-controlled environment storage services for stability trials at all ICH (International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use) specified conditions as well as at bespoke conditions as required. Environmentally controlled stability storage is the gateway for a number of products to be released and to stay on the market. These products range from drug products, medical devices, consumer products and packaging. The Group is well established in this market with accredited facilities in Rochdale, UK as well as in Tramore, Ireland and San Diego, USA. Business is secured on recurring contracts which are typically of three-year duration. By its nature, this business line therefore provides highly visible recurring revenue at gross margin levels of approximately 80% - indeed this business line has been relatively robust throughout COVID-19.

For those clients wishing to perform shelf-life testing in-house, the Group manufactures temperature and humidity-controlled equipment such as cabinets (low-volume storage), reach-in rooms and walk-in rooms (high-volume storage) for installation at customers' premises. This activity generated 14% (2020: 16%) of this business unit's revenue with revenue decreasing to £1.0 million in the year (2020: £1.2 million). Sales of capital equipment are naturally variable and subject to economic confidence.

SourceBio also provides Service and Validation services to established clients which have previously purchased and installed SourceBio equipment. These services comprise regular and periodic servicing and testing of installed storage equipment at customer premises to ensure adherence to relevant regulatory standards. This activity generated 32% (2020: 32%) of this business unit's revenue, with revenue increasing to £2.3 million in the year (2020: £2.2 million) although both 2020 and 2021 have faced challenges caused by COVID-19 travel restrictions.

In aggregate, these activities generated revenues totalling £7.0 million (2020: £6.9 million) and a gross profit of £3.6 million (2020: £3.9 million), equating to a gross margin percentage of 50.6% (2020: 56.1%).

Infectious Disease Testing

As recorded in the 2020 Annual Report, following the start of the COVID-19 pandemic, SourceBio quickly leveraged its scientific capabilities and existing accreditations, reconfigured its laboratory space and capitalised on its staff expertise to set up a COVID-19 PCR testing capability which launched in May 2020. The Group performed over 758,000 tests by the end of 2020, with a peak hitting 10,517 tests in one day. Investments were made to further increase capacity in 2021, allowing the Group to perform approximately 2,100,000 tests in the year, with a peak throughput hitting 20,298 tests in one day.

Daily test volumes fluctuated significantly through the year, largely driven by Government policy, particularly regarding the testing requirements for travel. There were a number of changes in policy in the year and this fluid backdrop has continued into early 2022. The customer base in the year comprised travel related companies, high street pharmacies, certain NHS trusts and other NHS constituents, as well as private healthcare groups and commercial clients.

High volume COVID-19 PCR laboratory-based tests formed the vast bulk of the business unit's revenues for 2021 although modest revenues were also secured from the sale of lateral flow tests and from mobile based PCR testing.

These services generated aggregate revenues totalling £73.6 million (2020: £34.5 million) and a gross profit of £28.5 million (2020: £13.7 million), equating to a gross margin percentage of 38.8% (2020: 39.6%).

Other non-core services

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

In aggregate, these activities generated revenues totalling £0.4 million (2020: £0.8 million) and a gross profit of £0.1 million (2020: £0.2 million), equating to a gross margin percentage of 21.8% (2020: 20.4%).

Board and Governance

There have been no changes to the Board in the year. The Board reviewed its composition and other arrangements in the year and continues to believe that the current make-up of the Board is appropriate to the Group's needs and to meet its governance commitments.

Outlook

The Group closed a record year of business in 2021 with material growth in revenues, gross margin and cash generation. It started the new year with a very strong cash balance of £33 million and with no bank or shareholder borrowings.

Trading in the early months of 2022 for the core business units has been solid and in line with the Board's expectation.

The Board believes that its three core business units, Healthcare Diagnostics, Genomics and Stability Storage all offer both near-term and longer-term sustained growth potential. In particular, whilst elective surgeries were significantly and very publicly delayed for many months during 2020 and 2021, coupled with the continuing shortage of pathologists, the backlog of potential work for our Cellular Pathology teams appears to have grown very substantially. HM Government has announced cash and initiatives that will be directed to help solve this issue. Volumes of Cellular Pathology work began returning to the Group in more meaningful volumes in the second half of 2021 and this has continued to accelerate in the early months of 2022. The Board is very optimistic of securing significant future volumes of work and believes that the current market conditions are supportive and provide an excellent backdrop for the Group's acquisition of LDPath, which completed in March 2022. The Group's Cellular Pathology capabilities have significantly increased following this acquisition, as the Group has an enlarged customer mix of both NHS and private healthcare clients and SourceBio expects to lead the market migration towards its Digital Pathology platform.

The Group has identified attractive growth opportunities in the Precision Medicine marketplace and this will be a focus of attention in 2022, as a discrete offering neatly building on existing offerings, including personalised tests from the Reference Laboratory which was previously within the Healthcare Diagnostics business unit, and clinical trials work undertaken in the Genomics business unit.

In response to declining demand, the Group is in the process of materially scaling down its COVID-19 PCR testing operations and other COVID-19 offerings, with its focus aimed clearly at repurposing equipment, laboratory space and inventory and re-aligning people as far as possible to drive growth from the three core business units - Healthcare Diagnostics, Genomics and Stability Storage.

Given the current market environment, the Board believes that SourceBio is well positioned to deliver further attractive growth in revenue and margin from these three core business units in 2022. The Group is pleased to have strengthened its position in Cellular Pathology with the LDPath acquisition and will continue to seek further strategically attractive acquisition opportunities.

We look forward to updating shareholders further during the year.

Jay LeCoque

Executive Chairman

4 April 2022

CHIEF FINANCIAL OFFICER'S REVIEW

Revenue

Revenue for 2021 was £92.4 million (2020: £50.7 million), an increase of 82%, summarised across the business units as below:

Business unit	2021 £'000	2020 £'000
Healthcare Diagnostics	**6,411**	4,424
Genomics	**4,960**	4,219
Stability Storage	**7,037**	6,880
Core operations	**18,408**	15,523
Infectious Disease Testing	**73,567**	34,463
Non-core operations, now wound down	**422**	751
Total	**92,397**	50,737

The Group comprises four business units, Healthcare Diagnostics, Genomics, Stability Storage and Infectious Disease Testing. The three core business units of Healthcare Diagnostics, Genomics and Stability Storage were all impacted by COVID-19 from early 2020, with Genomics and Stability Storage returning to normal levels of operations during 2020 and Healthcare Diagnostics returning to pre COVID-19 levels of business during 2021. The Infectious Disease Testing business unit was established in May 2020 to launch and commercialise COVID-19 PCR testing services, which peaked during 2021.

- The Healthcare Diagnostics business unit included revenues of £4.9 million (2020: £2.7 million) from Cellular Pathology testing, where volumes were heavily impacted by well publicised delays in elective surgeries in 2020 which continued until mid-2021. As elective surgeries returned with more volume in the second half of 2021, the volume of Cellular Pathology testing increased. However, the pace of this return of business did slow in the fourth quarter of 2021 as the Omicron variant of COVID-19 had a marked impact on the level of elective surgeries. The Reference Laboratory delivered revenues of £1.5 million (2020: £1.7 million), the modest reduction being largely as a result of one-off evaluation work carried out in 2020;
- Genomics comprises traditional Sanger Sequencing, which delivered revenues of £2.9 million (2020: £2.8 million) and Next Generation Sequencing ("NGS"), which delivered revenues of £2.0 million (2020: £1.4 million). The Company invested in state-of-the-art equipment in 2019 as part of the strategic objective of skewing business towards a greater proportion of NGS work. This had already proved successful in 2020 and the trend of skewing further to NGS continued in 2021;
- Stability Storage comprises Stability Storage Services which delivered revenues of £3.8 million (2020: £3.6 million), Service and Validation which delivered revenues of £2.3 million (2020: £2.2 million) and Manufacturing which delivered revenues of £0.9 million (2020: £1.1 million). Stability Storage Services, which are sold on a recurring revenue model, have been particularly robust throughout COVID-19. Service and Validation work was impacted in 2020 and 2021 by the restrictions to travel, whilst equipment sales, being capital purchase items, are naturally more variable in nature; and
- Infectious Disease Testing comprises primarily high-volume laboratory based PCR testing services delivered from the Group's Nottingham laboratories. The Group has offered a fuller portfolio of COVID-19 offerings which included the resale of lateral flow tests and the provision of mobile based testing services. PCR testing services delivered revenues of £71.8 million (2020: £34.5 million). The supply of lateral flow tests and the provision of mobile testing services delivered combined revenues of £1.8 million (2020: £nil).

Gross profit

Overall gross profit for the year was £36.2 million (2020: £20.5 million), representing a gross margin percentage of 39.2% (2020: 40.3%). Although the quantum and mix of revenue dramatically changed in the year, overall gross margin percentage levels were largely maintained. Of particular highlight is that market pressure materially impacted COVID-19 PCR pricing, particularly in the second half of 2021, with average pricing of £33.13 per PCR test (excluding carriage, test kit and other sales) achieved during the year compared to average pricing of £43.17 in 2020. This amounted to a 23% pricing reduction which was almost entirely mitigated by efficiencies and procurement savings derived from economies of scale.

Expenses

Total expenses for the year were £15.1 million (2020: £9.8 million), an increase of £5.3 million. The main driver of this increase was an increase in commercial and administrative expenses in order to scale the business to achieve the substantial increase in revenues. The largest component of this increase was higher non-direct staff costs of £3.3 million, driven by both a required increase in headcount and a marked impact of wage inflation to secure and retain the talented team. The Company also incurred a full year of costs related to being a public company There were no exceptional items in 2021 and a total of £1.5 million of exceptional expenses were incurred in relation to the Company's Admission to AIM in 2020. The total charge for depreciation of tangible fixed assets and amortisation of intangible fixed assets increased to £2.9 million (2020: £2.0 million) due primarily to the increased laboratory equipment depreciation. The Group incurred a share based payment charge of £0.1 million (2020: £nil) following the creation of the two employee share schemes in October 2021.

Adjusted EBITDA

The Board's key measure of underlying business profitability and assessing trends across periods is adjusted earnings before interest, tax, depreciation and amortisation, share based payments and exceptional items (adjusted EBITDA). In 2021, the Group achieved an adjusted EBITDA of £24.1 million (2020: £14.2 million), an increase of 70%. This translated to an adjusted EBITDA percentage in the year of 26.1% (2020: 27.9%). There were share based payments in the year of £0.1 million (2020: £nil) and no exceptional items in the year (2020: £1.5 million in relation to the Company's Admission to AIM). The principal driver for the material growth in adjusted EBITDA was the increased volume of COVID-19 PCR testing which drove substantial levels of COVID-19 testing revenues and gross profits in the year.

Finance costs

Finance costs for the year were £0.4 million (2020: £7.9 million), a decrease of £7.5 million. The decrease was principally caused by the conversion of PIK loan notes to equity and the settlement of shareholder and bank loans, both in late 2020, which together accounted for £7.6 million of interest charges in 2020. The finance costs of £0.4 million (2020: £0.3 million) related to finance leases charges. At the year-end date the Group had no borrowings other than leases.

Tax

An income tax charge arose amounting to £4.0 million (2020: credit of £0.2 million). The vast majority of the taxable profits were generated in the UK, where the Group was liable to corporation tax on a large company quarterly payment basis. Historic UK trading tax losses were fully utilised in 2020 and the Group has trading losses of £2.0 million (2020: £1.1 million) in its USA subsidiary available for carry forward beyond the year-end date.

Earnings per share

The basic and diluted earnings per share in the year amounted to 22.5 pence per share (2020: 5.3 pence per share), an increase of 325%. Adjusted earnings per share is an Alternative Performance Measure and calculated by dividing the profit for the year attributable to ordinary shareholders, excluding interest expense attributable to the shareholder loans and PIK loan notes and expenses related to exceptional items and share based payments, as well as the tax effect of these items, by the weighted average number of ordinary shares in issue during the year. The adjusted earnings per share in the year amounted to 22.6 pence per share (2020: 19.8 pence per share), an increase of 14%.

Intangible assets

Goodwill at the year-end date remained at £10.0 million, with no impairment charged in the year and other intangible assets decreased to a net book value of £0.2 million (2020: £0.3 million).

Property, plant and equipment and right-of-use assets

Net book value of property, plant and equipment at the year-end date amounted to £8.2 million (2020: £7.0 million), an overall increase of £1.2 million. Right-of-use assets at the year-end date amounted to £10.3 million (2020: £9.5 million), an overall increase of £0.8 million.

Additions in the year totalled £5.0 million, comprising leasehold improvements of £0.7 million and laboratory equipment of £4.3 million, which were primarily required to support the creation and capacity build-up of COVID-19 PCR testing services. It is expected that this equipment will be repurposed as COVID-19 PCR testing levels decline.

Inventories

Inventories at the year-end date amounted to £5.0 million (2020: £3.6 million), the increase largely due to increased stockholding of COVID-19 testing consumables. This balance is after including a stock provision totalling £2.1 million (2020: £nil), which reflects the materially reduced level of COVID-19 PCR testing now expected in 2022 and the need to consider both the shelf-life and expected usage of inventory levels on hand at the year-end date.

Trade and other receivables

Trade and other receivables at the year-end date amounted to £7.2 million (2020: £10.5 million), the decrease driven by the phasing of receivables within the Infectious Disease Testing business unit and a very strong focus on cash collection throughout the year. The credit losses provision at the year-end date amounted to £146,000 (2020: £34,000), the increase driven by the increased revenues. Overall, debtor days outstanding at the year-end date were 34 days (2020: 42 days) and during the year averaged 43 days (2020: 37 days).

Lease liabilities

Total lease liabilities at the year-end date amounted to £13.0 million (2020: £12.1 million), an increase to £0.9 million, due to additional laboratory equipment purchased in the year under lease.

Cash and working capital

Cash generation from operations was strong at £33.2 million (2020: £6.4 million). Cash and cash equivalents at the year-end date amounted to £33.3 million (2020: £8.4 million). Borrowings (excluding leases) have remained at zero through the year as the Group redeemed and converted its outstanding PIK loan notes into equity and repaid all of its bank and shareholder borrowings in late 2020. The strong funding position of the Group was driven principally by the increased profitability of the business fuelled by the increase in COVID-19 PCR testing services, together with a strong focus on cash conversion and working capital management. Cash balances were also positively impacted by payments made for COVID-19 PCR travel tests where revenues totalling £3.8 million (2020: £nil) have been deferred. The Group had no bank borrowings or debt facilities in place at the end of the year.

Net assets

Net assets at the year-end date amounted to £48.3 million (2020: £31.8 million), the improved position arising from the strong level of earnings generated during the year.

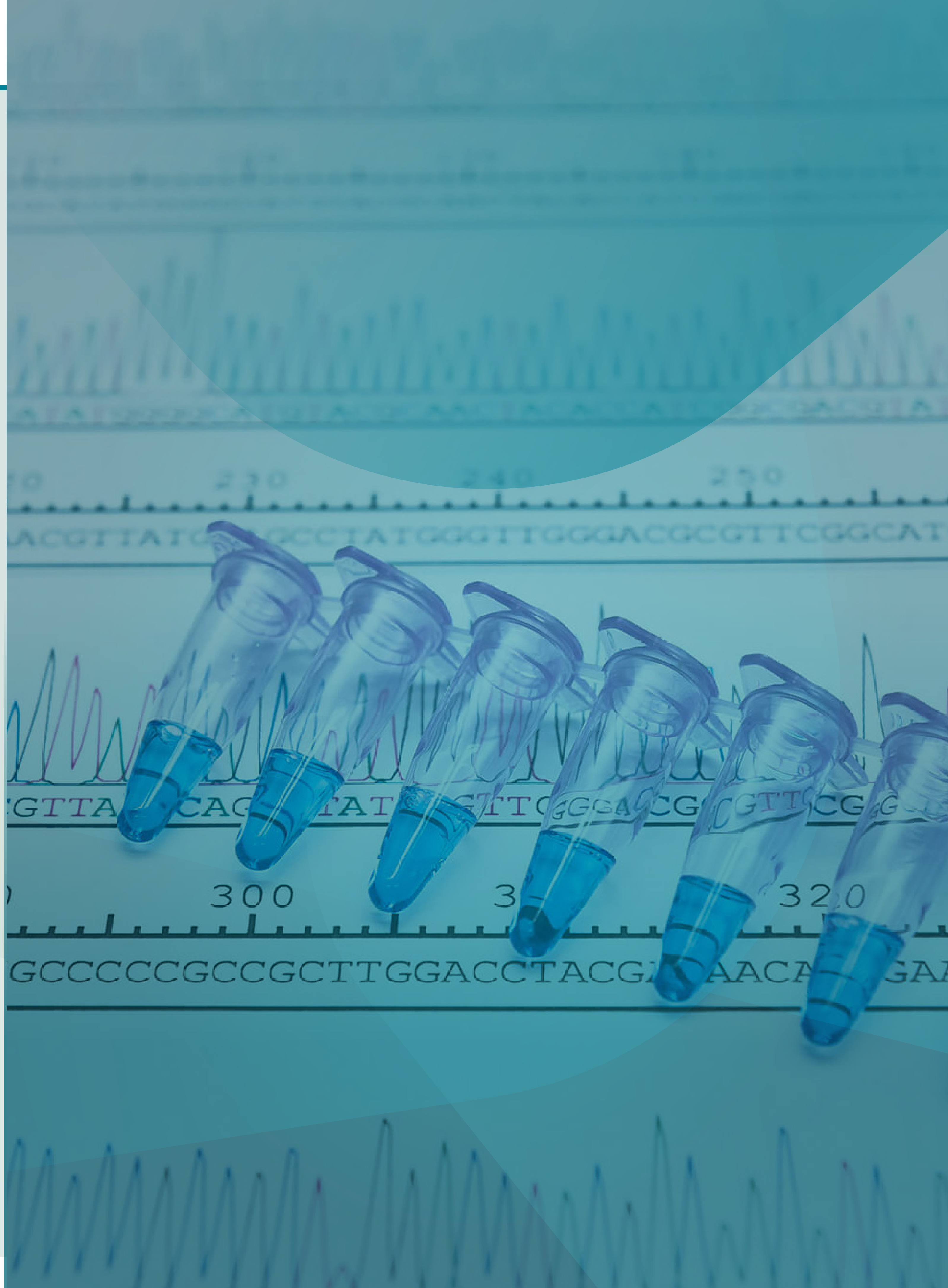
Contingent liability

As detailed further in note 33, the Group is in dispute with HM Revenue & Customs ("HMRC") who have challenged the Group's VAT treatment of COVID-19 PCR testing services provided. On professional advice, the Group has treated the accounting for COVID-19 PCR services as VAT exempt. HMRC has suggested that some of those services should have been treated as standard rated for VAT purposes. The Group has continued to take advice, which supports the accounting treatment adopted, and remains in communication with HMRC to address their comments raised. The Board believes that HMRC's arguments are flawed and unlikely to succeed, and there is also uncertainty over any potential liability, so no provision has been made at the year-end date.

Share buyback programme

As announced on 8 March, the Company intends to seek shareholder approval at the forthcoming AGM to implement a share buyback programme. Further details will be announced in due course.

Tony Ratcliffe
Chief Financial Officer
4 April 2022



STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2021.

The acquisition of LDPath in 2022 is expected to be key in accelerating the Group's growth plans

Review of the business

A review of the business is contained in the Executive Chairman's Review on pages 4 to 9 and the Chief Financial Officer's Review on pages 10 to 12.

Strategy and business model

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

- to target organic growth by capitalising on the market and growth opportunities identified in all three of the core business units - Healthcare Diagnostics, Genomics and Stability Storage;
- to selectively execute on attractive and relevant acquisition opportunities; and
- to increase its international presence through a combination of organic and acquisitive growth.

The Infectious Disease Testing business unit, which has generated substantial revenues and gross margin from the provision of COVID-19 PCR testing services, is expected to decrease its level of trading from 2021 levels as demand appears to reduce as COVID-19 has less impact. The approach is to continue to maximise the revenue, profits and cash generation from COVID-19 related testing services to provide incremental resources to invest to support the long-term growth of the three core business units, both organically and via selective acquisition. The cash resources generated and expected to be generated from PCR services, together with the further release of working capital that is expected to unwind as these services decline further provides a substantial "war chest" to fund potential future acquisitions.

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

Healthcare Diagnostics

Digital Pathology

Prior to the arrival of COVID-19, the Group had invested in Digital Pathology technology. The roll-out of this was delayed whilst Cellular Pathology volumes were depressed as COVID-19 heavily impacted on elective surgeries. This technology is now poised for aggressive rollout and, once implemented, this technology will enable the electronic distribution of tissue sample images instead of the physical movement of tissue samples held on a slide. This will allow shorter turnaround times, allowing a potentially greater throughput of samples, as well as cost savings through reduced carriage costs. In addition, it is expected that AI will allow the automation of reporting of the more routine sample cases and help maintain high quality, providing further cost saving upside. The acquisition of LDPath in 2022 is expected to be key in accelerating the Group's growth plans.

Private healthcare providers

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

Genomics

NGS

With the complementary Sanger Sequencing providing an entry point service to research groups, NGS represents an attractive up-selling opportunity. The establishment of a Genomics base in Dublin, Ireland, provides SourceBio with another foothold in an area with customer concentration, offering potential cross-selling and up-selling opportunities.

Precision medicine

There are strong synergies between the Healthcare Diagnostics business and services and the technology utilised in NGS in the Genomics business unit and the market is shifting to increase its focus on a personalised precision medicine approach to improving patient treatment. SourceBio already has a Precision Medicine offering having built a strong reputation with its leading Reference Laboratory, building a portfolio of specialist diagnostics services, as well as providing bespoke clinical trial work within its NGS business. From January 2022, the Group combined these activities within a new Precision Medicine business line within its Genomics business unit and to focus efforts to secure opportunities in this growing market segment.

Expand business in areas of customer concentration

In 2020 the Group invested to create a new facility in Dublin, Ireland, deliberately sited close to high-concentration areas of customer catchment. As with the Group's Centre of Excellence in Cambridge, market penetration and customer service benefits are expected given the concentration of potential customers. The Group is expecting to expand its Cambridge presence further by seeking new expanded facilities to service anticipated increases in demand.

Stability Storage

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

Investments have been made to expand in both the Ireland and USA facilities, the Group now having additional Stability Storage capacity available for customers, which is expected to generate incremental revenues at modest additional cost.

Service capability in USA

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

Acquisition model

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

Corporate social responsibility

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

People

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

Values

The Group's values comprise:

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

Involvement

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

Health and safety

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

Ethical, community and social policies

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

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

Environment

The Directors consider that the nature of the Group's activities is not inherently detrimental to the environment. The Group is committed to minimising any effect on the environment caused by its operations and it seeks, where possible, to make energy savings which are environmentally responsible and cost effective and to comply with applicable environmental legislation. There have been no significant new initiatives to reduce emissions or energy consumption adopted during the year.

Greenhouse gas emissions

In order to determine the emissions of carbon dioxide in tonnes, the Group uses the GHG Protocol Corporate Accounting and Reporting Standard and reports on emissions arising from sources over which the Group has operational control. The 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 (excluding combustion from Group vehicles); 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.

	2021	**% relates to UK**	2020	% relates to UK
Scope 1 (tonnes)	**355.6**	**92%**	190.6	100%
Scope 2 (tonnes)	**736.8**	**75%**	788.6	73%
Total carbon footprint (tonnes of CO_2e)	**1,092.4**		979.2	
Intensity Ratio (tonnes of CO_2e per £ million of revenue)	**11.8**		19.3	
Revenue, in £ millions	**92.4**		50.7	

In order to express emissions in a quantifiable factor, an intensity ratio has been calculated which shows emissions reported per £ million of revenue generated by the Group. The Board recognised that whilst the Group's carbon footprint increased as it expanded its facilities, the increased revenue throughput drove a reduction in the intensity ratio to 11.8 (2020: 19.3).

Consumed energy

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

	2021	**% relates to UK**	2020	% relates to UK
Scope 1	**458,500**	**92%**	171,300	100%
Scope 2	**3,470,000**	**75%**	3,115,400	73%
Total kWh	**3,928,500**		3,286,700	

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 Group enhanced a number of policies and procedures put in place in 2020 to continue to safeguard employees during the COVID-19 pandemic whilst at the same time progressively expanding the capacity of its Infectious Disease Testing business unit.

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

The Executive Chairman's Review on pages 4 to 9 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 16 and 17 describes the Group's view and actions across a number of areas.

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

The Board has a good relationship with the Group's employees. The Board maintains constructive dialogue with employees through the Executive Directors. Appropriate remuneration schemes are maintained to align employees' objectives with those of the Group. The Group adopted both an Executive Share Option Plan and a Save As You Earn scheme, the latter being open to all eligible UK employees. 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 is likely to affect their interests. The Group operates a suggestion box scheme, whereby employees' suggestions are reviewed at monthly meetings of the Executive Team.

The Board ensures that the Group endeavours to maintain good relationships with its suppliers by contracting on their standard business terms and paying them promptly, within agreed and reasonable terms. The Group discusses arrangements and any issues with key suppliers regularly and where required audit their activities to ensure that materials are delivered effectively in a timely and cost-efficient manner. Whilst forecasts of PCR testing demand varied dramatically through the year, the Group regularly met with key suppliers to ensure demand and call-off forecasts were shared. These principles ensure that the Group's and key significant suppliers' interests are aligned.

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

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

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

The Board endeavours to maintain good relationships with its shareholders and treat them equally. All shareholders have the opportunity to ask questions at the Company's AGM. This is described in more detail in the Corporate Governance Statement on pages 26 to 31.

Risk management

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

Overview of risk management approach

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

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

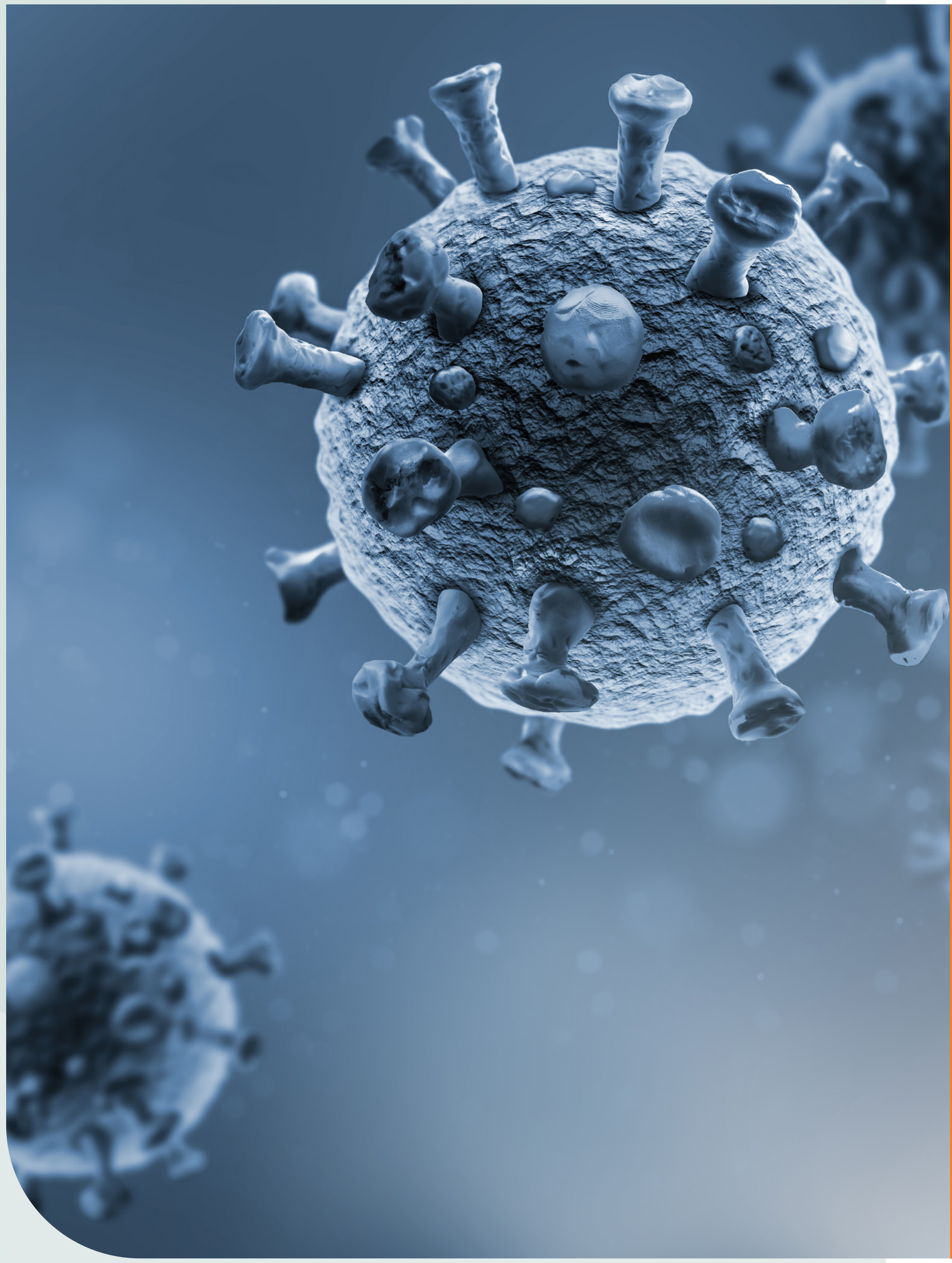
Principal risks and uncertainties

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

COVID-19 PCR testing

A major commercial opportunity arose in 2020 in the form of COVID-19 PCR testing services, but the size of this opportunity has fluctuated and the duration of this opportunity remains uncertain. In spite of the successful mass roll-out of COVID-19 vaccines, the general demand for PCR testing services remains highly unpredictable. The Group is already seeing a significant drop in demand for the Group's Infectious Disease Testing services, which is being mitigated by an element of cost reductions and a refocus toward securing growth in the core business units.

The Group manages appropriate inventory levels of PCR consumables in line with forecasted



demand. Whilst a material provision has been included in 2021, any over-forecasting of demand could leave the Group with excess inventory, whilst any under-forecasting of demand could leave the Group unable to maximise PCR testing volumes.

There is also a risk that further impact of COVID-19, whether or not from new variants, could cause a continued postponement of non-urgent appointments and surgeries which would drive a reduced volume of Cellular Pathology testing, which would result in a reduction in revenues for the Group's Healthcare Diagnostics business unit. Ultimately, COVID-19 PCR testing and Cellular Pathology reporting revenues are seen as a natural hedge to mitigate the risks of each other.

Contractual arrangements with pathologists

Within the Group's Healthcare Diagnostics business unit, the Group uses a network of self-employed specialist pathologists, contracting with the Group as contractors or consultants. The Directors believe that the self-employed, contractor status of these pathologists is based not only on the contractual structure of these arrangements but also on the way in which the arrangements operate in practice. Notwithstanding the Directors' belief as to the proper classification of these individuals as contractors, there is a risk, however, that these pathologists could be deemed by tax and other governmental authorities in the relevant jurisdictions to be employees of the relevant member of the Group instead of contractors or consultants. This would result in additional future costs to the Group, as well as potential historical liabilities for the Group in terms of PAYE and national insurance contributions (or the equivalent in any relevant jurisdiction) and associated interest and penalty charges. This would be likely to have an adverse effect on the Group's financial performance and position and more generally on the Group's business model. 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 Healthcare Diagnostics and Infectious Disease Testing business units

The Group's diagnostic activities for public healthcare applications are dependent upon the ability to maintain ISO 15189 accredited status. Whilst operations could still continue without this accreditation, it is the accreditation that provides the Group with significant commercial and operational advantages within the competitive landscape and is a key factor for clients to work with the Group. The Group has implemented clear policies and procedures throughout its business aimed at ensuring compliance with ISO 15189 requirements as well as other quality standards and the UK National External Quality Assessment Service scheme. Whilst responsibility for compliance with such policies and procedures rests with operational management, the Group also employs a Quality Manager who oversees compliance.

The Group is also subject to regular audits and inspections from the regulatory bodies responsible for such accreditations. The Group's ISO 15189 accreditation was renewed in November 2021 following a satisfactory audit inspection, after which it was recommended that the Group's accreditation be renewed for a further four years, with assessments to continue annually. 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 more onerous obligations on data controllers and rights for data subjects, as well as new and increased fines and penalties for breaches of the data privacy obligations of data controllers.

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

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

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

Competition

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

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

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

Regulatory risk

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

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

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

The Strategic Report was approved by the Board on 4 April 2022 and signed on its behalf by:

Jay LeCoque
Executive Chairman

THE BOARD OF DIRECTORS

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

Executive Directors

Jay LeCoque

Executive Chairman, aged 59

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

Tony Ratcliffe

Chief Financial Officer and Company Secretary, aged 58

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

Non-Executive Directors

Sir Ian Carruthers OBE

Senior Independent Non-Executive Director, aged 71

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

Simon Constantine

Independent Non-Executive Director, aged 63

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

Marco Fumagalli

Non-Executive Director, aged 51

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

Christopher Mills

Non-Executive Director, aged 69

Christopher is a director and the sole shareholder of Harwood Capital Management Limited, which is the designated corporate member and the controller of Harwood Capital. He formed the Harwood Capital Management Group in 2011 on his acquisition of Harwood Capital from the J O Hambro Capital Management Group. Christopher is also the CEO and director of North Atlantic Smaller Companies Trust plc, a UK listed investment trust and a director and investment manager of Oryx. He has a long and successful investing track record and is a non-executive director of a number of both public and private companies. He co-founded J O Hambro Capital Management Group in 1993.

CORPORATE GOVERNANCE STATEMENT

Compliance

The Board of Directors as a whole is collectively accountable to the Company's shareholders for good corporate governance and recognises the importance of sound corporate governance commensurate with the size and nature of the Group and the interests of all its shareholders. The Quoted Companies Alliance has published the QCA Code, a set of corporate governance guidelines, which include a code of best practice, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The Board has adopted the QCA Code following Admission in 2020. Details of the Code can be obtained from the Quoted Companies Alliance's website (www.theqca.com) and fuller text in relation to the Company's compliance can be found in the Corporate Governance Statement on the Company's website (www.sourcebiointernational.com).

Set out below describes how the Group, as at 31 December 2021, sought to address the principles underlying the Code.

Principle 1

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

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

Principle 2

Seek to understand and meet shareholder needs and expectations

The Board endeavours to engage in clear and consistent dialogue with both existing and potential shareholders to understand their needs and expectations and to ensure that the Group's strategy, business model and progress are clearly understood. The Board also maintains regular contact with its advisors to ensure that the Board develops an understanding of the views of the investor community. The Board communicates with shareholders through a number of means. Unpublished price sensitive information is disclosed in as timely a manner as possible and within regulatory requirements.

The Board views the Company's Annual General Meeting as an important forum for communication between the Company and its shareholders and encourages shareholders to express their views on the Company's business activities and performance. Regular meetings will continue to be held between the Executive Chairman, Chief Financial Officer and institutional investors and analysts to ensure that the Group's strategy, financial results and business developments are communicated effectively.

Principle 3

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

The Board recognises the importance of corporate social responsibility and seeks to take account of the interests and feedback from all the Group's stakeholders, including its investors, customers, suppliers, partners and employees when operating the Group's business. The Board believes that fostering an environment in which employees act in an ethical and socially responsible fashion is critical to its long-term success.

The Group seeks to ensure continued engagement with its employees, clients, suppliers, shareholders and the wider public via regular discussions, having processes in place designed to ensure regular dialogue between employees and senior management, and by technological means, using the functionality of social media platforms and software to gain insights and feedback from its clients, suppliers, partners and the public.

Principle 4

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

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

Principle 5

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

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

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

Principle 6

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

The Directors come from a range of backgrounds and have a wide variety of experience and traits which means that the Board as a whole is well balanced and has the skills and other attributes necessary to deliver the Company's strategy. Brief details of the Directors' backgrounds and experience are available on pages 24 and 25. The Nomination Committee is responsible for continuing to evaluate the balance of skills, knowledge and experience and the size, structure and composition of the Board and its committees, retirements and appointments of additional and replacement Directors and committee members and making appropriate recommendations to the Board on such matters. The Company Secretary will provide Directors with updates on key developments relating to the Company, the sectors in which the Group operates, and legal and governance matters (including advice from the Company's broker, lawyers and advisors) and will also support the Executive Chairman and the Nomination Committee in identifying and addressing the training and development needs of Directors.

Principle 7

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

The Company's process for evaluating the performance of the Board, its Committees and individual Directors, will primarily be undertaken by the Nomination Committee. During the year the Nomination Committee has reviewed the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and has no recommendations for change. The Board has committed to regularly review and to make recommendations based on the results of any Board performance evaluation process that relate to the composition of the Board. The Nomination Committee shall also make recommendations to the Board concerning plans for succession for both Executive and Non-Executive Directors and in particular for the current key role of Executive Chairman (and specifically whether that role should be split between a Non-Executive Chairman and a CEO). Under the direction of the Nomination Committee, the composition and performance of the Board was reviewed in December 2021 and no changes were recommended. The Board is committed to an evaluation of each Director at least annually, to commence in 2022.

Principle 8

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

The Company is committed to ensuring that the Group operates according to the highest ethical standards and the Board has primary responsibility for achieving this. The Directors believe that the main determinant of whether a business behaves ethically and with integrity is the quality of its people and the Board, together with the Group's HR function, takes great care to ensure that all individuals employed by the Group demonstrate the required high levels of integrity. The Group has also adopted formal policies addressing, inter alia, bribery and corruption, the use of social media and dealing in the Company's shares. The Group strives to be a good corporate citizen and respects the laws of the countries in which it operates. Each year the Company's Annual Report and Accounts will contain a Corporate and Social Responsibility section which will address its people, values, diversity, employee welfare and involvement, employment, training, career development and promotion of disabled persons, health and safety, ethical and social policies, human rights, product development, impact on the environment, greenhouse gas emission and slavery and human trafficking. During the year the Board completed an effectiveness questionnaire, focussing on Board composition, processes, behaviours and activities which provided assurance that an appropriate culture based on values and behaviours, was in place.

Principle 9

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

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

Principle 10

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

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

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

Board attendance

The number of full scheduled Board and Committee meetings and the attendance records of each member Director attending meetings in the year is indicated below:

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
Number of meetings attended:				
Jay LeCoque	7/7	-	-	-
Tony Ratcliffe	7/7	-	-	-
Sir Ian Carruthers	7/7	2/2	4/4	2/2
Simon Constantine	7/7	2/2	4/4	2/2
Marco Fumagalli	7/7	-	-	-
Christopher Mills	6/7	-	-	-

In order for the Company to ensure full member independence on the Audit Committee, Christopher Mills resigned from membership of the Audit Committee effective from 1 January 2021.

In addition to formal attendance by Committee members as summarised above, Jay LeCoque, Marco Fumagalli, Christopher Mills and Tony Ratcliffe all attended a number of the meetings of the Audit Committee, Remuneration and Nomination Committees by invitation. Tony Ratcliffe also attended the Board Committee meetings as Secretary.

Committees of the Board

Further details of the Board Committees are described below:

Audit Committee

The work of the Audit Committee is addressed in more detail on pages 38 to 40 by its Chairman, Simon Constantine.

Remuneration Committee

The work of the Remuneration Committee is addressed in more detail on pages 42 to 46 by its Chairman, Sir Ian Carruthers.

Nomination Committee

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

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

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

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

The Nomination Committee is made up of independent Non-Executive Directors and comprises Sir Ian Carruthers and Simon Constantine, with Sir Ian Carruthers as Chairman. The Committee met twice during 2021.

Executive Management team

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

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

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

Dialogue with shareholders

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

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

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

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

By order of the Board

Tony Ratcliffe
Company Secretary
4 April 2022

REPORT OF THE DIRECTORS

In accordance with the Companies Act 2006, the Directors are pleased to present their Annual Report together with the audited consolidated financial statements of SourceBio International plc for the year ended 31 December 2021.

Corporate details

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

Principal activities

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

- **Healthcare Diagnostics** - histopathology cancer screening (Cellular and Digital Pathology) and clinical diagnostic services for the NHS and private healthcare across the UK and Ireland;
- **Genomics** - DNA sequencing services and Precision Medicine offering for pharmaceutical and biotechnology companies, adademia, contract research organisations (CROs) and other research groups in the UK, Europe and North America;
- **Stability Storage** - shelf-life testing services and equipment for pharmaceutical and biotechnology companies, contract manufacturers and analytical testing companies from around the world but primarily in the UK, Ireland and the USA; and
- **Infectious Disease Testing** - a range of COVID-19 testing services for commercial enterprises, private healthcare groups and the NHS, including PCR testing under ISO 15189 accreditation. SourceBio also provides employee testing solutions to industry, direct to consumer home test kits and venue testing.

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 30). The Company's Strategic Report and the other reports include 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 endeavours to maintain good relationships with partners, customers and suppliers and is in regular communication with all.

Corporate Governance Statement

The information that meets the requirements of the Corporate Governance Statement can be found on pages 26 to 31.

Employee Engagement Statement

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.

The Board is keen to encourage the involvement of employees in the Group's performance, which led to the establishment of the SAYE scheme in 2021 which is open to all eligible UK based employees.

Results and dividend

Revenue for the year was £92.4 million (2020: £50.7 million). Adjusted EBITDA for the year was £24.1 million (2020: £14.2 million) and profit after tax was £16.7 million (2020: £3.0 million).

The detailed results for the year and the financial position as at 31 December 2021 are shown in the Consolidated Statement of Comprehensive Income and the statement of Financial Position. A review of the results of the year is shown in the Chief Financial Officer's Review.

The Directors do not recommend the payment of a dividend for the year to 31 December 2021 (2020: £nil).

Directors

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

Executive Directors

Jay LeCoque

Tony Ratcliffe

Non-Executive Directors

Sir Ian Carruthers OBE

Simon Constantine

Marco Fumagalli

Christopher Mills

Their biographical details are shown in the Board of Directors section on pages 24 to 25.

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

The Company Secretary is Tony Ratcliffe.

Directors' interests

The Group leases its property at 1 Orchard Place, Nottingham for a term of 25 years from 2020 at an initial rent of £350,000 per annum (excluding VAT) to increase annually at 3% from 1 Orchard Place (Freehold) Limited, a company related to Christopher Mills being a common director.

Note 32 details contracts in which any Director of the Company had an interest.

None of the Directors have a service contract with the Company requiring more than six months' notice of termination to be given. The details of the Directors' contracts are provided in the Report of the Remuneration Committee on pages 42 to 46.

The interests (including the interests of their immediate families and persons connected with the Directors) of the Directors who held office at the end of the year in the ordinary shares of the Company at 31 March 2022, 31 December 2021 and 31 December 2020 were:

Beneficial interest:	At 31 March 2022	At 31 December 2021	At 31 December 2020
Simon Constantine	123,456	123,456	123,456
Marco Fumagalli[1]	17,010,740	17,010,740	17,010,740
Jay LeCoque	2,344,612	2,202,497	2,202,497
Christopher Mills[2]	16,720,549	19,479,421	21,625,197
Tony Ratcliffe	30,864	30,864	30,864

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

[2] Christopher Mills' beneficial interests are held through Harwood Funds and NASCIT which are both associated with Christopher Mills as he is a director and the sole shareholder of Harwood Capital Management Limited, which is the designated corporate member and the controller of Harwood Capital; and is a director and the CEO of NASCIT and is NASCIT's largest shareholder.

Share capital

The Company had 74,183,038 ordinary shares of 0.15p each as at 31 December 2020, throughout the year, and at 31 December 2021.

Each share carries the right to one vote at general meetings of the Company. On Admission to AIM in October 2020 and for a period of 12 months, a total of 49,022,039 ordinary shares of 0.15p beneficially owned by Harwood Funds, Continental Funds, Lombard Funds and Jay LeCoque were subject to orderly market arrangements with the Company and its Nominated Advisor in relation to any permitted disposals of their shares. These arrangements expired in October 2021 and since this date, there are now no restrictions on voting rights or on the holding or transfer of these securities.

Share schemes

ESOP

During the year, the Company established an Executive Share Option Plan ("ESOP") and issued 4,750,000 share options, being 6.4% of issued share capital, to selected senior management. More details of the ESOP scheme are shown in the Remuneration Report on pages 42 to 46.

SAYE scheme

During the year, the Company launched a Save As You Earn ("SAYE") scheme. This scheme was open to all UK employees with at least three months of service. A total of 145,984 share options, being 0.2% of issued share capital, were issued in relation to this scheme. More details of the SAYE scheme are shown in the Remuneration Report on pages 42 to 46.

Share price

During the year the share price ranged from a high of 235p to a low of 125p. The average price for the period was 167.52p and the mid-market price of an ordinary share was 165p on 31 December 2021.

Financial risk management

The Company holds all cash balances in no-notice accounts. The Company's policy on the use of financial instruments and the management of financial risks is set out in note 30 of the financial statements.

Stakeholder engagement

The Company's approach to shareholder engagement is disclosed as part of the s172 statement as disclosed on page 18.

Substantial shareholdings

At 31 March 2022, the Company had been notified of the following interests of 3% or more in the Company's ordinary share capital:

	Number of ordinary shares	% of issued share capital
Lombard (held by Lombard funds)	17,081,088	23.03%
Continental (held by the Continental Funds)	16,856,420	22.72%
Harwood (held by the Harwood Group and NASCIT) [1]	16,720,549	22.54%
Jay LeCoque	2,344,612	3.16%

[1] Christopher Mills, a Director in the Company, is beneficially interested in Harwood Funds and NASCIT which are both associated with Christopher Mills as he is a director and the sole shareholder of Harwood Capital Management Limited, which is the designated corporate member and the controller of Harwood Capital; and is a director and the CEO of NASCIT and is NASCIT's largest shareholder.

Annual General Meeting

The Annual General Meeting of the Company will be held by electronic facility at midday on 15 June 2022. All ordinary and special resolutions to be proposed at that meeting are detailed in the Notice of Annual General Meeting sent to shareholders with this Annual Report and Accounts.

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

Going concern statement

The Directors have prepared detailed budgets and forecasts covering the period to 31 December 2023. These plans take into account all reasonably foreseeable circumstances and include consideration of trading results and cash flows on a month-by-month basis. This forecasting has considered the potential impact derived from the Infectious Disease Testing business unit which is expected to continue to contribute, more modestly than in 2021, to the financial results going forward.

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

Employment and equal opportunities

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

The Group has an equal opportunities policy under which SourceBio is committed to ensuring that everyone should have the same opportunities for employment and promotion based on their ability, qualifications and suitability for the work in question; seeking excellence in employees through the implementation of recruitment, incentivisation, performance review, development and promotion processes that are fair to all; and capitalising on the added value that diversity brings. Discrimination in the workplace on the basis of age, gender, disability, ethnic origin, nationality, sexual orientation, gender reassignment, religion or belief, marital status, 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.

The Group established an Executive Share Option Plan and a Save As You Earn scheme, the latter open to all eligible UK employees.

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 2021 was 31 days (2020: 29 days).

Bribery Act

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

Independent auditors

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

The Directors who held office at the date of approval of this Report confirm that so far as they are each aware, there is no relevant information of which the Group's auditor is unaware, and each Director has taken all 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.

By order of the Board

Tony Ratcliffe
Company Secretary
4 April 2022

REPORT OF THE AUDIT COMMITTEE

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

Composition and governance

The Audit Committee comprises two independent Non-Executive Directors - Simon Constantine (Chairman of the Committee) and Sir Ian Carruthers and both have the skills and experience required to fully discharge their duties. In order to maintain full independence of Audit Committee membership, Christopher Mills resigned from the Committee with effect from 1 January 2021. Simon Constantine meets the requirements of recent and relevant financial experience.

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

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

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

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

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

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

Activities during 2021

The Audit Committee met twice in the year and once since the year-end date. The external auditor, RSM UK Audit LLP, attended all meetings. The regular meetings of the Committee are scheduled to coincide with key dates in the financial reporting and audit cycle.

The Audit Committee discharged its responsibilities by:

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

Financial reporting and significant areas of judgement

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

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

- revenue recognition with particular reference to the adoption of IFRS 15;
- the recognition of deferred revenue, in particular in respect of the sale of COVID-19 PCR tests that had not been undertaken by the year-end;
- the level of inventory provisions, in particular as demand forecasts for COVID-19 PCR testing volumes have reduced materially;
- the VAT accounting for COVID-19 PCR testing; and
- management override of controls.

Reports highlighting key accounting matters and significant judgements were received from RSM UK Audit LLP in respect of the year-end financial statements and discussed by the Committee. In particular, the areas of audit focus included revenue recognition, management override of controls, impairments, provisions and taxation.

Analysis to support the Going Concern Statement given on page 35 was also reviewed by the Committee after receiving reports from management on this matter.

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

External auditor

Non-audit work

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

Other than delayed billing of £2,000 in relation to taxation work undertaken pre the Company's Admission, there were no fees incurred during 2021 for non-statutory audit services provided by RSM UK Audit LLP. The audit fee for 2021 was £121,000 (2020: £133,000).

Auditor independence

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

Performance and effectiveness of the external auditor

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

Internal control and risk management systems

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

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

The Directors have continued to review the effectiveness of the Group's system of internal controls, including strategic, commercial, operational, compliance and financial controls and risk management systems. As part of its reporting to the Audit Committee and Board, the external auditor's report following its audit work included matters identified in the course of its statutory audit work, which were reviewed by the Audit Committee. Procedures are in place to take appropriate action if any significant failings or weaknesses are identified in the Board's review of internal controls or are otherwise brought to the Board's attention.

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

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

Simon Constantine

Non-Executive Director and Chairman of the Audit Committee

On behalf of the Board of Directors

4 April 2022

REPORT OF THE REMUNERATION COMMITTEE

This Report sets out details of the remuneration policy for Executive and Non-Executive Directors, describes how the current remuneration policy has been implemented and discloses the amounts paid relating to the year ended 31 December 2021.

The following information is unaudited unless otherwise stated.

Remuneration policy

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

The current remuneration policy, as approved by shareholders at the 2021 AGM and applied for 2021, is detailed below:

Guiding principles

The guiding principles of the remuneration policy centre on:

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

Levels of remuneration

The levels of remuneration are based on:

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

Implementation

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

The remuneration framework

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

Base salaries

Base salaries will be reviewed annually as will the overall levels of remuneration generally. Consideration will be given to the performance of the Group, the performance of individuals, any changes in responsibilities or role, as well as practices in comparative companies of a broadly similar size and complexity with due account taken of market capitalisation and scale of revenues.

Pension contributions

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

Other benefits

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

Cash bonuses

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

Executive share options plan ("ESOP")

The Executive Chairman, Chief Financial Officer, Executive Management team and selected senior managers will be eligible to participate in the ESOP. The overall pool for share options is 8% of issued share capital. The exercise of options under the ESOP will be subject to the continued employment of the individual at the date of vesting as well as subject to the achievement of appropriate performance criteria. The ESOP was established in 2021 with 4,750,000 share options issued, representing 6.4% of issued share capital. Further details are shown in note 24.

Save as You Earn Scheme ("SAYE")

A SAYE scheme is available for all eligible UK employees. The overall pool for the SAYE scheme is 2% of issued share capital. The SAYE scheme was established in 2021 with 145,984 share options issued, representing 0.2% of issued share capital. Further details are shown in note 24.

There is a combined 10% pool ceiling for the ESOP and SAYE scheme, with an aggregate of 6.6% of the pool utilised, as described above.

Service agreements

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

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

External board appointments

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

Recruitment remuneration policy

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

Non-Executive Director letters of appointment

Non-Executive Director fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and Board Committees and to attract and retain Non-Executive Directors of the highest calibre and with relevant experience. Fee levels are set by reference to non-executive fees at companies of similar size and complexity and are determined by the Board as a whole. All Non-Executive Directors' letters of appointment are for an initial period of three years from the date of Admission, with a three month notice period. These letters of appointment are available for inspection at the Company's registered office. Non-Executive Directors are not eligible to participate in any of the incentive arrangements of the Group and do not receive any pension contributions.

Pay reviews

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

Review of remuneration policy

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

Directors' remuneration – audited

The remuneration of the Directors in the year ended 31 December 2021 is shown below:

	Salary and fees £'000	Bonus £'000	Benefits-in-kind £'000	Pension contributions £'000	**2021 Total £'000**	2020 Total £'000
Executive						
Jay LeCoque	250	188	39	35	**512**	285
Tony Ratcliffe	190	142	8	23	**363**	92
Trevor Nolan	-	-	-	-	**-**	23
	440	330	47	58	**875**	400
Non-Executive						
Sir Ian Carruthers	40	-	-	-	**40**	35
Simon Constantine	40	-	-	-	**40**	7
Marco Fumagalli	35	-	-	-	**35**	6
Christopher Mills	35	-	-	-	**35**	6
	150	-	-	-	**150**	54
Total fees and emoluments	590	330	47	58	**1,025**	454

Notes to the Directors' remuneration – audited

Trevor Nolan resigned on 28th February 2020.

Tony Ratcliffe became an employee and was appointed to the Board on 21 October 2020. Prior to his employment, he provided his services to the Group on a consultancy basis via Consilium Financial Limited, who billed the Group a total of £128,000 during 2020.

Since Admission in October 2020, both Jay LeCoque and Tony Ratcliffe received pension contributions at 10% of base salary. The amounts shown for 2021 include certain backdated amounts relating to 2020.

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

Share based payments - Directors' interests - audited

The Company introduced an ESOP in September 2021, in which both Jay LeCoque and Tony Ratcliffe participated. Options over ordinary shares in the Company granted to the Directors which remained outstanding at 31 December 2021 are summarised below:

Director	Balance at 1 January 2021	Granted in the year	Exercised in the year	Balance at 31 December 2021	Option exercise price (pence)	Dates exercisable
Jay LeCoque	-	2,000,000	-	2,000,000	162	666,667 (2022 - 2031)
						666,667 (2023 - 2031)
						666,666 (2024 - 2031)
Tony Ratcliffe	-	1,350,000	-	1,350,000	140	450,000 (2022 - 2031)
						450,000 (2023 - 2031)
						450,000 (2024 - 2031)
	-	3,350,000	-	3,350,000		

All the share options will vest over three years from issue on 29 September 2021, in three equal annual tranches subject to the Rules of the ESOP.

For all share options to become exercisable, the performance vesting condition requires a share price of 200 pence or greater, representing a premium of 43% to the closing mid-market price on 29 September 2021.

All the share options have a 10 year term from the date of grant, subject to their earlier exercise or lapse in accordance with the rules of the ESOP.

No gains, being the market price less the exercise price, were included in the remuneration table above as none of the relevant share options vested during the year.

Directors' interests

Directors' interests in the share capital of the Company are disclosed in the Directors' report on pages 34 and 35.

Directors' remuneration terms

Executive Directors

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

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

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

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

Non-Executive Directors

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

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

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

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

Annual General Meeting

The Company held its first Annual General Meeting on 14 June 2021 where the proposed remuneration policy for 2021 was tabled and approved by shareholders.

No changes to the existing remuneration policy are proposed, with existing arrangements expected to carry into 2022. Therefore, other than for the approval of this Remuneration Report as a whole, no specific remuneration resolutions will be tabled at the forthcoming Annual General Meeting which will be held on 15 June 2022.

Sir Ian Carruthers OBE

Senior Non-Executive Director and Chairman of the Remuneration Committee

On behalf of the Board

4 April 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Report of the Directors, the Corporate Governance 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 and are required under the AIM rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK-adopted international accounting standards and have elected under company law 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 Company and of their profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with 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 and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Board and signed on its behalf by:

Jay LeCoque
Executive Chairman
4 April 2022

Tony Ratcliffe
Chief Financial Officer
4 April 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOURCEBIO INTERNATIONAL PLC

Opinion

We have audited the financial statements of SourceBio International plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated and Company Statements of Financial Position, Statements of Changes in Equity, Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 2021 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 Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach	
Key audit matters	**Group** • Revenue recognition • Inventory provision • VAT contingent liability **Parent Company** • No key audit matters noted
Materiality	**Group** • Overall materiality: £1,030,000 (2020: £502,000) • Performance materiality: £772,500 (2020: £376,000) **Parent Company** • Overall materiality: £655,000 (2020: £280,000) • Performance materiality: £491,250 (2020: £210,000)
Scope	Our audit procedures covered 97% of revenue, 94% of total assets and 98% of profit before tax.

Key audit matters

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

Revenue recognition	
Key audit matter description	Under International Auditing Standards there is a rebuttable presumed risk of fraud that revenue may be misstated due to improper revenue recognition. The main judgement is in respect of the level of deferred income to recognise for COVID-19 PCR travel tests that have been purchased but the test has not yet been performed. This requires consideration of when the tests expire and the probability of any release being reversed.
How the matter was addressed in the audit	We performed cut-off testing and substantive testing procedures over revenue including the use of financial data analytics software to identify unusual transactions for testing. We challenged and tested management's assessment of the revenue recognition on the larger contracts in progress at the year-end and the appropriateness of the accrued and deferred income recognised. We also considered the adequacy of the disclosure of the Group's revenue recognition accounting policy in note 2 and the critical accounting estimates and judgements in note 3.
Key observations	Given a lack of history of the level of unredeemed COVID-19 PCR travel tests and uncertainties over future testing requirements, management have deferred revenue for all outstanding tests.

Inventory provision	
Key audit matter description	Due to changes in Government legislation for the requirement for COVID-19 PCR testing for travel, there is a risk of obsolescence of COVID-19 PCR testing equipment held in inventory at the year-end.
How the matter was addressed in the audit	We assessed whether the provision held was reasonable based on the current level of testing, future forecasts for levels of testing, the stock's shelf-life and also the ability to sell surplus stocks. We also considered the adequacy of the disclosure of the judgements on inventory provisions in note 3.
Key observations	Management have suitably updated the inventory provision to reflect their latest forecasts on the level of PCR testing services in line with their RNS announcement on 8 March 2022.

VAT contingent liability	
Key audit matter description	HMRC has issued a letter to the Group that challenged the Group's VAT treatment of COVID-19 PCR testing services. The Group has treated the services as a VAT exempt supply with HMRC challenging it should be standard rated.
How the matter was addressed in the audit	In conjunction with our VAT experts, we have reviewed and considered the correspondence received from HMRC as well as the Group's correspondence with external tax advisors in relation to this matter. We have also tested the estimated levels of exposure and potential upside and the adequacy of the disclosures in note 3 and note 33.
Key observations	Given it is considered probable that the Group will be able to successfully defend the claim, the exposure has been disclosed as a contingent liability in note 33.

Our application of materiality

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

	Group	Parent Company
Overall materiality	£1,030,000 (2020: £502,000)	£655,000 (2020: £280,000)
Basis for determining overall materiality	5% of profit before tax	2% of total assets
Rationale for benchmark applied	Profit before tax is focussed upon by investors as a measure of the performance of the Group.	Total assets was chosen as the entity is a non-trading holding company
Performance materiality	£772,500 (2020: £376,000)	£491,250 (2020: £210,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £51,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £32,750 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	6	97%	94%	98%

Analytical procedures at Group level were performed for the remaining 2 components.

FINANCIAL STATEMENTS

Conclusions relating to going concern

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

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

We note the strength of the balance sheet at 31 December 2021 with £33.3m of cash and cash equivalents and no bank borrowings.

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.

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 47, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework 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; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
UK-adopted IAS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from external tax advisors; Inspection of correspondence with local tax authorities; Input from a tax specialist was obtained regarding the tax impact of the VAT contingent liability as discussed in the key audit matter above.
ISO Standards for medical services and GDPR	ISAs limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of management and where appropriate, those charged with governance (as noted above) and inspection of legal and regulatory correspondence, if any.

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

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

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

Use of our report

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

RSM UK Audit LLP

Neil Stephenson

(Senior Statutory Auditor)

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

4 April 2022

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 December 2021

Continuing operations:	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 Restated £'000
Revenue	4,5	**92,397**	50,737
Cost of sales		**(56,184)**	(30,284)
Gross profit	4	**36,213**	20,453
Distribution costs		**(3,651)**	(2,180)
Administrative expenses		**(11,573)**	(7,574)
Other operating income	11	**118**	-
Adjusted EBITDA		**24,115**	14,155
Depreciation	17	**(2,843)**	(1,890)
Amortisation	16	**(88)**	(102)
Share based payments	24	**(77)**	-
Exceptional costs	6	**-**	(1,464)
Operating profit	7	**21,107**	10,699
Finance income	12	**21**	-
Finance costs	12	**(442)**	(7,908)
Profit before tax		**20,686**	2,791
Taxation	13	**(3,971)**	201
Profit attributable to equity shareholders of the Company		**16,715**	2,992
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
- Exchange differences on translation of foreign operations		**(318)**	208
Total comprehensive income attributable to equity shareholders of the Company		**16,397**	3,200
Earnings per share			
Basic and diluted earnings per ordinary share	14	**22.5p**	5.3p

Restatement of 2020

Following a reassessment of the classification of costs in 2021, the 2020 comparatives for distribution costs (increase of £607,000) and administrative expenses (decrease of £607,000) have been restated to be comparable.

The notes on pages 60 to 97 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Assets			
Non-current assets			
Intangible assets – goodwill	16	**9,993**	9,993
Intangible assets – other	16	**192**	349
Property, plant and equipment	17	**8,226**	6,959
Right-of-use assets	17	**10,347**	9,478
Deferred tax asset	28	**79**	395
Total non-current assets		**28,837**	27,174
Current assets			
Inventories	19	**4,999**	3,598
Trade and other receivables	20	**7,242**	10,472
Corporation tax receivable		**777**	-
Cash and cash equivalents	21	**33,304**	8,435
		46,322	22,505
Assets classified as held for resale	17	**-**	475
Total current assets		**46,322**	22,980
Total assets		**75,159**	50,154
Equity attributable to equity shareholders of the Company			
Share capital	22	**111**	111
Share premium account	23	**33,189**	33,189
Foreign exchange reserve	23	**(147)**	171
Share option reserve	23	**77**	-
Retained earnings	23	**15,078**	(1,637)
Total equity		**48,308**	31,834
Liabilities			
Non-current liabilities			
Trade and other payables	25	**339**	394
Lease liabilities	27	**11,946**	11,602
Provisions	29	**137**	141
Total non-current liabilities		**12,422**	12,137
Current liabilities			
Trade and other payables	25	**13,362**	5,494
Corporation tax payable		**-**	126
Lease liabilities	27	**1,049**	547
Provisions	29	**18**	16
Total current liabilities		**14,429**	6,183
Total liabilities		**26,851**	18,320
Total equity and liabilities		**75,159**	50,154

The notes on pages 60 to 97 are an integral part of these consolidated financial statements.
The financial statements were approved by the Board on 4 April 2022 and signed on its behalf by:

Jay LeCoque
Executive Chairman

Tony Ratcliffe
Chief Financial Officer

Company registered number: 10269474

Company Statement of Financial Position

As at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000
Assets			
Non-current assets			
Investments in subsidiary undertakings	18	**15,207**	15,184
Total non-current assets		**15,207**	15,184
Current assets			
Trade and other receivables	20	**19,102**	19,782
Total current assets		**19,102**	19,782
Total assets		**34,309**	34,966
Equity attributable to equity shareholders of the Company			
Share capital	22	**111**	111
Share premium account	23	**33,189**	33,189
Share option reserve	23	**77**	-
Retained earnings	23	**(99)**	1,602
Total equity		**33,278**	34,902
Liabilities			
Current liabilities			
Trade and other payables	25	**1,031**	64
Total current liabilities		**1,031**	64
Total liabilities		**1,031**	64
Total equity and liabilities		**34,309**	34,966

The notes on pages 60 to 97 are an integral part of these consolidated financial statements. The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes. The loss for the parent Company for the year was £1,701,000 (2020: profit of £773,000).

The financial statements were approved by the Board on 4 April 2022 and signed on its behalf by:

Jay LeCoque
Executive Chairman

Tony Ratcliffe
Chief Financial Officer

Company registered number: 10269474

Statements of Changes in Equity

For the year ended 31 December 2021

Consolidated	Share capital £'000	Share premium account £'000	Foreign exchange reserve £'000	Share option reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	2,906	-	(37)	-	(80,117)	(77,248)
Profit for the year	-	-	-	-	2,992	2,992
Other comprehensive income	-	-	208	-	-	208
Total comprehensive income for the year	-	-	208	-	2,992	3,200
Transactions with owners recorded directly in equity						
- Redemption of PIK loan notes in consideration for issuance of shares	72,658	-	-	-	-	72,658
- Reduction in share capital	(75,488)	-	-	-	75,488	-
- Proceeds from shares issued	3	-	-	-	-	3
- Proceeds from shares issued on admission to AIM	32	34,968	-	-	-	35,000
- Costs of share issue	-	(1,779)	-	-	-	(1,779)
Total transactions with owners	(2,795)	33,189	-	-	75,488	105,882
Balance at 31 December 2020	111	33,189	171	-	(1,637)	31,834
Profit for the year	-	-	-	-	16,715	16,715
Other comprehensive income	-	-	(318)	-	-	(318)
Total comprehensive income for the year	-	-	(318)	-	16,715	16,397
Transactions with owners recorded directly in equity:						
- Employee share schemes	-	-	-	77	-	77
Total transactions with owners	-	-	-	77	-	77
Balance at 31 December 2021	**111**	**33,189**	**(147)**	**77**	**15,078**	**48,308**

Company	Share capital £'000	Share premium account £'000	Share option reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	2,906	-	-	(74,659)	(71,753)
Profit and total comprehensive income for the year	-	-	-	773	773
Transactions with owners, in their capacity as owners					
- Redemption of PIK loan notes in consideration for issuance of shares	72,658	-		-	72,658
- Reduction in share capital	(75,488)	-	-	75,488	-
- Proceeds from shares issued	3	-	-	-	3
- Proceeds from shares issued on Admission to AIM	32	34,968	-	-	35,000
- Costs of share issue	-	(1,779)	-	-	(1,779)
Total transactions with owners	(2,795)	33,189	-	75,488	105,882
Balance at 31 December 2020	111	33,189	-	1,602	34,902
Loss for the year	-	-	-	(1,701)	(1,701)
Total comprehensive income for the year	-	-	-	(1,701)	(1,701)
Transactions with owners recorded directly in equity:					
- Employee share schemes	-	-	77	-	77
Total transactions with owners	-	-	77	-	77
Balance at 31 December 2021	**111**	**33,189**	**77**	**(99)**	**33,278**

The notes on pages 60 to 97 are an integral part of these consolidated financial statements.

Statements of Cash Flows

For the year ended 31 December 2021

	Group		Company	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000	**Year ended 31 December 2021 £'000**	Year ended 31 December 2020 £'000
Cash flows from operating activities				
Profit/ (loss) for the year	**16,715**	2,992	**(1,701)**	773
Adjustments for:				
Depreciation of property, plant and equipment and right-of-use assets	**2,843**	1,890	**-**	-
Amortisation	**88**	102	**-**	-
Profit on disposal of fixed assets	**(147)**	-	**-**	-
Finance costs	**442**	7,908	**-**	7,520
Finance income	**(21)**	-	**-**	-
Taxation	**3,971**	(201)	**-**	1
Other operating income	**(118)**	-	**-**	-
Issue costs of new shares	**-**	1,464	**-**	1,464
Share based payment charges	**77**	-	**54**	-
Working capital adjustments:				
(Increase) in inventories	**(1,401)**	(2,782)	**-**	-
(Decrease) in provisions	**(2)**	(18)	**-**	-
Decrease / (increase) in trade and other receivables	**3,228**	(5,245)	**680**	(15,629)
Increase in trade and other payables	**7,618**	278	**967**	-
Cash generated from / (used in) operations	**33,293**	6,388	**-**	(5,810)
Income tax paid	**(4,509)**	(48)	**-**	-
Net cash inflows / (outflows) from operating activities	**28,784**	6,340	**-**	(5,810)
Cash flows from investing activities				
Purchase of property, plant and equipment	**(2,975)**	(3,870)	**-**	-
Purchase of intangible assets	**(40)**	(140)	**-**	-
Proceeds on disposal of property, plant and equipment	**647**	5,000	**-**	-
Net cash (used in) / generated from investing activities	**(2,368)**	990	**-**	-
Cash flows from financing activities				
Gross proceeds from issue of shares	**-**	35,003	**-**	35,003
Costs of Admission to AIM and new share issuance	**-**	(3,243)	**-**	(3,243)
New borrowings secured	**-**	2,000	**-**	-
Repayment of borrowings	**-**	(30,253)	**-**	(23,403)
Interest paid	**(56)**	(2,750)	**-**	(2,547)
Payment of lease liabilities	**(1,445)**	(894)	**-**	-
Net cash (used in) financing activities	**(1,501)**	(137)	**-**	(5,810)
Net increase in cash and cash equivalents	**24,915**	7,193	**-**	-
Net foreign exchange difference on cash and cash equivalents	**(46)**	7	**-**	-
Cash and cash equivalents at the beginning of year	**8,435**	1,235	**-**	-
Cash and cash equivalents at the end of year	**33,304**	8,435	**-**	-

The notes on pages 60 to 97 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

SourceBio International plc (the "Company" or "SourceBio") is a company incorporated in England and Wales and domiciled in the UK. The ordinary shares of the Company are traded on the AIM Market of the London Stock Exchange. The address of the registered office is 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX.

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

2. Summary of significant accounting policies

Accounting policies for the year ended 31 December 2021

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

Basis of preparation

The parent Company and consolidated accounts of SourceBio International plc have been prepared in accordance with UK-adopted International Accounting Standards (IFRS). The change in the basis of preparation from 2020 is required by UK Company Law as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transaction period on 31 December 2020. This change does not constitute a change in accounting policy, rather a change in the framework which is required to group the use of IFRS in company law. There is no impact on the recognition, measurement or disclosure between the two frameworks in the year reported.

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

The consolidated financial statements are presented in Sterling which is the functional and presentational currency of the Group and Company and are rounded to the nearest thousand, £'000, except where otherwise indicated.

New standards, amendments and interpretations issued

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 2021. 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.

Going concern

The Directors have prepared detailed budgets and forecasts covering the period to 31 December 2023. These plans take into account all reasonably foreseeable circumstances and include consideration of trading results and cash flows on a month-by-month basis. This forecasting has considered the potential impact derived from the Infectious Disease Testing business unit which is expected to continue to contribute, more modestly than in 2021, to the financial results going forward.

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

Basis of consolidation

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

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

Investments in subsidiaries

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

Intangible assets

Goodwill

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

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

Intangible assets (other than goodwill)

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

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

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

2. Summary of significant accounting policies (continued)

Research and development expenditure

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

Property, plant and equipment

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

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

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

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

Impairment of non-current assets

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

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

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

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

Inventories

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

Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised on the date the Group becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not 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.

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

Trade and other receivables and trade and other payables

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

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

Contract assets

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

Contract liabilities

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

Interest-bearing borrowings

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

Cash and cash equivalents

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

Provisions

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

2. Summary of significant accounting policies (continued)

Employee benefits

The Group operates a 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.

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.

Leases

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

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

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

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

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

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

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

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

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

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

Revenue recognition

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

The Group recognised revenue from the following activities:

Laboratory testing services

Revenues received or receivable for services, typically provided under contract pathology, COVID-19 PCR testing and Sanger Sequencing services are recognised when the services are provided, which is when a test result is delivered.

Products

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

Service agreements

Revenue relating to service contracts invoiced at the inception of the agreements is deferred such that the income is recognised over the contract life.

Contracts recognised over time and with multiple elements

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

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

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

Testing kits

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

2. Summary of significant accounting policies (continued)

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

Where there is a delay in returning a testing kit to the laboratory for the testing service to be performed, the revenue is deferred until the likelihood of it not being returned is highly probable or if the testing kit reaches the end of its period of shelf-life.

Pre-paid vouchers

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

Taxes

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

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

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

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

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

Foreign currency translation

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

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

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

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

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.

Equity instruments

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

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.

3. Critical accounting estimates and judgements

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

Depreciation

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 assets at the year-end is £18,573,000 (2020: £16,912,000) including nil assets classified as held for resale (2020: £475,000). There was depreciation in the year of £2,843,000 (2020: £1,890,000).

3. Critical accounting estimates and judgements (continued)

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 £1,018,000 (2020: £978,000).

Revenue: Deferred COVID-19 PCR testing revenue

Where pre-paid PCR test kits have been sold where there is a right to receive a future PCR test, an assessment is made of the amount of revenue to be recognised and the amount of revenue to be deferred based on the shelf-life of the kits' consumables, any estimated rate of redemption of the associated PCR testing service based on the data available, or if there is insufficient historic data, the revenue is deferred until it is highly probable that the kit is unlikely to be returned for testing. The value of COVID-19 PCR testing deferred revenue at the year-end is £3,849,000 (2020: £nil), which covers all outstanding tests.

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 £9,993,000 (2020: £9,993,000).

Lease liabilities

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

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 24.

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 and assessment 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 £2,096,000 (2020: £18,000) was made at the year-end date, primarily as a consequence of a reduced outlook for COVID-19 PCR testing services in 2022.

VAT liability

As detailed further in note 33, the Group is in dispute with HMRC in relation to its VAT treatment of COVID-19 testing. The Group believes that it is not probable that HMRC will succeed in their claims and therefore no provision has been included at the year-end date.

4. 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.

	2021		2020	
	Revenue £'000	**Gross profit £'000**	Revenue £'000	Gross profit £'000
Healthcare Diagnostics	**6,411**	**2,134**	4,424	1,046
Genomics	**4,960**	**1,918**	4,219	1,734
Stability Storage	**7,037**	**3,560**	6,880	3,857
Core business units	**18,408**	**7,612**	15,523	6,637
Infectious Disease Testing	**73,567**	**28,509**	34,463	13,663
Non-core operations, wound down	**422**	**92**	751	153
Total	**92,397**	**36,213**	50,737	20,453

Due to the shared nature of many assets, assets and liabilities for both 2020 and 2021, are not able to be separately allocated across the business segments but are reported to the Chief Operating Decision Maker ("CODM") on an aggregate basis.

Adjusted EBITDA (Alternative Performance Measure)

The CODM, Board and Executive Management team primarily use a measure of adjusted earnings before interest, tax, depreciation and amortisation, 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 6.

5. Revenue

Geographical segments

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

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

	2021 £'000	2020 £'000
United Kingdom	**88,727**	46,657
Europe	**2,285**	2,349
USA	**1,337**	1,731
Rest of world	**48**	-
Total	**92,397**	50,737

NOTES TO THE FINANCIAL STATEMENTS

5. Revenue (continued)

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

	2021 £'000	2020 £'000
Customer A	**14,453**	10,700
Customer B	**12,750**	-
Customer C	**12,151**	-
Customer D	**1,200**	17,200

Group revenue has been recognised according to time as below:

	2021 £'000	2020 £'000
Recognised at a point in time	**86,338**	44,984
Recognised over time	**6,059**	5,753
Total	**92,397**	50,737

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

Assets	2021 £'000	2020 £'000
Contract assets relating to Healthcare Diagnostics contracts	**120**	68
Contract assets relating to Infectious Disease Testing contracts	**50**	814
Contract assets relating to Stability Storage contracts	**215**	76
Contract assets relating to Genomics contracts	**22**	157
Contract assets relating to (none core) Clones contracts	**6**	-
Total	**413**	1,115

Liabilities	2021 £'000	2020 £'000
Contract liabilities relating to pre-paid Sanger Sequencing vouchers in Genomics	**1,018**	978
Contract liabilities relating to Stability Storage contracts	**627**	1,030
Contract liabilities relating to Genomics contracts	**51**	-
Contract liabilities relating to pre-paid COVID-19 PCR tests in Infectious Disease Testing	**3,849**	-
Total	**5,545**	2,008

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

	2021 £'000	2020 £'000
Total	**1,424**	1,634

For 2021, the contract liability balance refers to a number of COVID-19 PCR tests which were purchased by consumers from one of the Group's customers and a number which were purchased directly from the Group's website, but which had not yet been returned to the Group's laboratory for processing.

Management expects that approximately 95% (2020: 95%) of the contract liabilities relating to pre-paid Sanger Sequencing vouchers at the year-end date will be recognised as revenue during 2022, the balance in 2023. Management expects that approximately 54% (2020: 64%) of the contract liabilities relating to Stability Storage contracts at the year-end date will be recognised as revenue during 2022, the balance is expected to be recognised over the life of the contract periods, which are typically three years in length. Management expects that all of the contract liabilities relating to Genomics contracts at the year-end date will be recognised as revenue during 2022. Management expects that all of the contract liabilities relating to Infectious Disease Testing at the year-end date will be recognised as revenue during 2022.

Management expects that approximately 100% (2020: 100%) of the contract assets will be recognised as cash during 2022.

6. Exceptional items

	2021 £'000	2020 £'000
Costs in relation to the Company's Admission to AIM	-	1,464

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

7. Operating profit

Group	2021 £'000	2020 £'000
The following items have been charged / (credited) in arriving at operating profit:		
Depreciation of property, plant and equipment owned	**1,804**	1,194
Depreciation of property, plant and equipment leased	**1,039**	696
Amortisation of intangible assets	**88**	102
Profit on disposal of tangible assets	**(147)**	-
Expenses relating to short-term leases (included within cost of sales)	**83**	55
Exchange differences	**(261)**	253

8. Staff costs

Staff costs during the year	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Wages and salaries	**12,699**	6,675	**508**	147
Social security costs	**1,262**	675	**47**	18
Pension costs - defined contribution	**421**	217	**23**	-
Share based payments (see note 24)	**77**	-	**54**	-
Total	**14,459**	7,567	**632**	165

Average monthly employees (including Directors)	Group		Company	
	2021 Number	2020 Number	**2021 Number**	2020 Number
Laboratory services	**239**	120	**-**	-
Products	**27**	32	**-**	-
Central services	**73**	42	**6**	6
Total	**339**	194	**6**	6

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

9. Key management and Directors

Directors' remuneration	**2021 £'000**	2020 £'000
Salaries and fees	**590**	285
Bonuses	**330**	132
Benefits-in-kind	**47**	31
Pension costs – defined contribution	**58**	6
Total	**1,025**	454

At the year-end two Directors (2020: one) had retirement benefits accruing under defined contribution pension schemes.

The number of share options granted to each Director during the year, exercised in the year and options outstanding at the end of the year were as follows. The exercise price and exercise period for each issue of share options is presented in note 24.

Details of share option holdings	Number of share options			
	2021			
	At 1 January	Granted in year	Exercised in year	At 31 December
Jay LeCoque	-	2,000,000	-	2,000,000
Tony Ratcliffe	-	1,350,000	-	1,350,000
Total	-	3,350,000		3,350,000

Remuneration above includes the following amounts paid to the highest paid Director:

Highest paid Director's remuneration	**2021 £'000**	2020 £'000
Salary	**250**	176
Bonus	**188**	75
Benefits-in-kind	**39**	29
Pension costs – defined contribution	**35**	5
Total	**512**	285

Consolidated Key management remuneration	**2021 £'000**	2020 £'000
Salaries and short-term employee benefits	**1,192**	663
Employer's national insurance charges	**87**	72
Share based payments (see note 24)	**52**	-
Pension costs - defined contribution	**66**	17
Total	**1,397**	752

The key management figures given above comprise Executive and Non-Executive Directors together with the Chief Operating Officer (for 2020 and until August 2021).

10. Pension commitments

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

Group	2021 £'000	2020 £'000
Defined contribution schemes	**421**	217

The year-end creditor amounted to £61,000 (2020: £38,000).

11. Other operating income

Group	2021 £'000	2020 £'000
Research & development expenditure credit	**118**	-

12. Finance costs and finance income

Finance costs

Group	2021 £'000	2020 £'000
On bank and other loans	**-**	(7,677)
On lease liabilities	**(442)**	(231)
Total	**(442)**	(7,908)

Finance income

Group	2021 £'000	2020 £'000
Bank and other interest receivable	**21**	-
Total	**21**	-

13. Taxation

Current tax	2021 £'000	2020 £'000
UK corporation tax on profits for the current year	**3,548**	232
Adjustment in respect of previous years	**7**	(62)
Foreign taxation	**100**	54
Total	**3,655**	224
Deferred tax		
Origination and reversal of timing differences	**382**	(431)
Adjustment in respect of previous years	**52**	-
Effect of tax rate change on opening balance	**(118)**	6
Total	**316**	(425)
Total charge / (credit)	**3,971**	(201)

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the first year is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £'000	2020 £'000
Profit on ordinary activities before taxation	**20,686**	2,791
Profit on ordinary activities by rate of tax	**3,930**	530
Expenses not deductible for tax purposes	**126**	422
Ineligible depreciation	**18**	23
Leases including sale and leaseback	**(215)**	(559)
Movement in deferred tax not recognised	**106**	(1,402)
Adjustment in respect of prior periods	**59**	(62)
Interest not deductible under thin capitalisation rules	**-**	898
Effect of change in deferred tax rate	**(118)**	6
Effect of CT rate being lower than DT rate	**92**	-
Other	**(27)**	(57)
Tax charge / (credit) on profit or loss	**3,971**	(201)

As a consequence of quarterly estimates made during the year, the Group overpaid UK corporation tax of £771,000 which is recoverable.

The Group had £380,000 (2020: £274,000) of deferred tax assets arising from tax losses within Source BioScience Inc. and other short-term timing differences which, based on the anticipated future profitability of the entity, have not been recognised.

14. Earnings per share

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

Diluted earnings per share is calculated by dividing the result for the year attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year adjusted for the effects of dilutive options. For 2020, there were no options in issue, so diluted earnings per share were the same as basic earnings per share.

Adjusted earnings per share, an Alternative Performance Measure, is calculated by dividing the result for the year attributable to ordinary shareholders, which adds or deducts items that are typically adjusted for by users of financial statements. These items comprise interest expense attributable to the shareholder loans and PIK loan notes (which applied only in 2020), expenses related to exceptional items, share based payments as well as the tax effect of these items, by the weighted average number of ordinary shares in issue during the year.

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

	2021 £'000	2020 £'000
Profit for the year	**16,715**	2,992
Interest payable on shareholder loans and PIK loan notes	**-**	7,677
Exceptional items	**-**	1,464
Share based payments	**77**	-
Tax effect of the above	**-**	(964)
Adjusted profit for the year	**16,792**	11,169

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

	2021			2020		
	Earnings £'000	**Weighted average number of shares 000's**	**Per share amount (pence)**	Earnings £'000	Weighted average number of shares 000's	Per share amount (pence)
Basic EPS						
Earnings attributable to ordinary shareholders of the Company	**16,715**	**74,183**	**22.5p**	2,992	56,307	5.3p
Effect of diluted share options	**-**	**37**		-	-	
Diluted EPS						
Earnings attributable to ordinary shareholders of the Company	**16,715**	**74,220**	**22.5p**	2,992	56,307	5.3p
Adjusted basic EPS						
Adjusted earnings attributable to ordinary shareholders of the Company	**16,792**	**74,183**	**22.6p**	11,169	56,307	19.8p

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

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

	2021 £'000	2020 £'000
Audit services:		
Statutory audit of Company's and subsidiaries' financial statements	**121**	133
Non-statutory audit of Company as part of the re-registration as a plc	**-**	7
Tax services:		
Advisory services prior to Admission to AIM	**2**	31
Other non-audit services:		
Transaction related services relating to Admission to AIM	**-**	193

All tax and other non-audit services above were received prior to the Company's Admission to AIM in October 2020.

NOTES TO THE FINANCIAL STATEMENTS

16. Goodwill and other intangible assets

Consolidated	Goodwill £'000	Software £'000	Development costs £'000	Customer relationships £'000	Total other intangible assets £'000	Total £'000
Cost						
At 1 January 2020	61,331	22	1,175	185	1,382	62,713
Additions	-	12	128	-	140	140
At 31 December 2020	61,331	34	1,303	185	1,522	62,853
Additions	-	-	40	-	40	40
Disposals	-	-	(512)	-	(512)	(512)
At 31 December 2021	**61,331**	**34**	**831**	**185**	**1,050**	**62,381**
Amortisation and impairment						
At 1 January 2020	51,338	-	886	185	1,071	52,409
Amortisation charge	--	6	96	-	102	102
At 31 December 2020	51,338	6	982	185	1,173	52,511
Amortisation charge	-	9	79	-	88	88
Disposals	-	-	(403)	-	(403)	(403)
At 31 December 2021	**51,338**	**15**	**658**	**185**	**858**	**52,196**
Net book value						
At 31 December 2020	9,993	28	321	-	349	10,342
At 31 December 2021	**9,993**	**19**	**173**	**-**	**192**	**10,185**

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

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

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

	2021 £'000	2020 £'000
Healthcare Diagnostics	**1,458**	1,458
Genomics	**2,596**	2,596
Stability Storage	**5,939**	5,939
Total	**9,993**	9,993

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

Number of years of cash flows used and budgeted growth rate

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

The five-year forecast is prepared considering the Directors' expectations based on market knowledge, numbers of new engagements and the pipeline of opportunities. The principal assumptions are that underlying growth is expected in the Healthcare Diagnostics, Genomics and Stability Storage business units. In particular, a continued return of substantial levels of elective surgeries is anticipated to drive growth in Cellular Pathology testing services, the backlog of work having been caused by COVID-19. Detailed line by line monthly forecasts have been prepared through 2022 and 2023, then extrapolated thereafter. Sensitivities of the forecast have been evaluated. A reduction in the growth of revenues of more than 11% in the core business units of Healthcare Diagnostics, Genomics and Stability Storage in each year from 2023 to 2027 would result in an impairment.

Discount rate

The Group's pre-tax weighted average cost of capital has been used to calculate a discount rate, which reflects current market assessments of the time value of money for the period under review and the risks specific to the Group. The discount rate used in each of the periods under review is 11.9% (2020: 12.3%).

Terminal growth rate

An appropriate terminal growth rate is selected, based on the Directors' expectations of growth beyond the five year period. The growth rate used post the forecast period is 3.3% (2020: 3.5%) 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.

	2021	2020
Theoretical discount rate	**118.1%**	33.5%
Terminal growth rate	**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

Consolidated	Freehold property £'000	Leasehold property £'000	Plant, fixtures, fittings and equipment £'000	Motor vehicles £'000	Right-of-use assets £'000	Total £'000
Cost						
At 1 January 2020	5,576	350	5,600	16	5,173	16,715
Additions	-	616	3,254	-	5,917	9,787
Disposals	(2,360)	-	(399)	-	(148)	(2,907)
Transfer	499	-	(499)	-	-	-
Exchange differences	-	(29)	(26)	-	-	(55)
At 31 December 2020	3,715	937	7,930	16	10,942	23,540
Additions	-	656	2,319	-	2,030	5,005
Disposals	(932)	(113)	(3,435)	(11)	(126)	(4,617)
Exchange differences	-	13	(52)	-	(6)	(45)
At 31 December 2021	**2,783**	**1,493**	**6,762**	**5**	**12,840**	**23,883**
Depreciation						
At 1 January 2020	953	168	3,450	16	916	5,503
Charge for the year	63	65	1,066	-	696	1,890
Disposals	(209)	-	(399)	-	(148)	(756)
Transfer	208	-	(208)	-	-	-
Exchange adjustments	-	(2)	(7)	-	-	(9)
At 31 December 2020	1,015	231	3,902	16	1,464	6,628
Charge for the year	48	126	1,630	-	1,039	2,843
Disposals	(438)	(113)	(3,545)	(11)	(10)	(4,117)
Exchange differences	-	7	(51)	-	-	(44)
At 31 December 2021	**625**	**251**	**1,936**	**5**	**2,493**	**5,310**
Net book value						
At 31 December 2020	2,700	706	4,028	-	9,478	16,912
At 31 December 2021	**2,158**	**1,242**	**4,826**	**-**	**10,347**	**18,573**

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

	2021 £'000	2020 £'000
Non-current assets		
Property, plant and equipment	**8,226**	6,959
Right-of-use assets	**10,347**	9,478
Current assets		
Assets classified as held for resale	**-**	475
Total net book value	**18,573**	16,912
The net book value of right-of-use assets by asset type is as below:		
Leasehold property	**8,340**	8,436
Plant, fixtures, fittings and equipment	**2,007**	1,042
Total net book value	**10,347**	9,478

The Company holds no tangible fixed assets (2020: £nil). Depreciation is charged to administrative expenses within profit or loss.

Included within property, plant and equipment above for 2020 is freehold property with a net book value of £475,000 which was classified as 'held for sale'. The property was sold in February 2021.

18. Investments in subsidiaries

Company	Shares in Group undertakings £'000
Cost	
At 1 January 2020 and 31 December 2020	65,898
Capital contributions – share based payments	23
At 31 December 2021	**65,921**
Impairment	
At 1 January 2020 and 31 December 2020	(50,714)
At 31 December 2021	**(50,714)**
Net book value	
At 1 January 2020 and 31 December 2020	15,184
At 31 December 2021	**15,207**

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

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

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

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

18. Investments in subsidiaries (continued)

The subsidiary undertakings (all of which the Company owns a 100% interest in) and their respective activities were as follows as at 31 December 2021:

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

All of these subsidiary undertakings were present at 31 December 2020 as well as Source BioScience Germany GmbH and Source BioScience GmbH, which were dissolved in 2021.

19. Inventories

Group	2021 £'000	2020 £'000
Raw materials	**4,616**	3,598
Finished goods and goods for resale	**383**	-
Total	**4,999**	3,598

Inventories recognised as an expense during the year ended 31 December 2021 amounted to £37,638,000 (2020: £20,991,000). 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 £2,096,000 for the year (2020: £18,000) were deducted from gross inventories in the amounts above. These provisions were principally made against COVID-19 PCR related testing materials, in the light of uncertainties of anticipated demand following recent changes in Government travel guidelines.
The provision of £18,000 made in 2020 was reversed during 2021.

20. Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Amounts falling due within one year:				
Trade receivables	**5,989**	8,686	**-**	-
Less: provision for impairment of receivables	**(146)**	(34)	**-**	-
Net trade receivables	**5,843**	8,652	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**18,892**	19,782
Other receivables	**185**	148	**-**	-
Contract assets	**413**	1,115	**-**	-
Prepayments	**801**	557	**120**	-
Total	**7,242**	10,472	**19,102**	19,782

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

Credit risk is assessed by reference to the customer base and is considered low. Any trade receivables 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.

20. Trade and other receivables (continued)

An analysis of the Group trade receivables is as follows:

	2021 Gross £'000	2021 Net of impairment £'000	2021 provision applied %	2020 Gross £'000	2020 Net of impairment £'000	2020 provision applied %
Not past due	**4,680**	**4,676**	**0.1%**	6,298	6,292	0.1%
Past due 0 – 30 days	**730**	**728**	**0.3%**	1,908	1,906	0.1%
Past due 31 – 60 days	**327**	**317**	**3.1%**	321	321	-
Past due 61 – 90 days	**201**	**122**	**39.3%**	94	94	-
Past due 90+ days	**51**	**-**	**100.0%**	65	39	0.4%
Total	**5,989**	**5,843**	**2.4%**	8,686	8,652	0.6%

The movement in the provision is summarised below:

Group	2021 £'000	2020 £'000
Provision at start of the year	**34**	282
Charge for the year	**146**	10
Utilised in the year	**(34)**	(258)
Provision at end of the year	**146**	34

21. Cash and cash equivalents

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash and cash equivalents				
Cash at bank	**33,304**	8,435	**-**	-

22. Share capital

Group and Company	2021		2020	
Issued and fully paid ordinary shares of 0.15p each	Number	£'000	Number	£'000
At 31 December	**74,183,038**	**111**	74,183,038	111

There have been no share movements in 2021. The share movements in 2020 are detailed below:

Issued and fully paid	1p and 0.001p ordinary shares Number	0.001p A ordinary shares Number	0.15p ordinary shares Number	£'000
At 1 January 2020	290,549,917	32,283,324	-	2,906
Redemption of PIK loan notes, issuance of 1p shares	7,265,790,769	-	-	72,658
Capital reduction 1p to 0.001p shares	-	-	-	(75,488)
Consolidation into 0.15p ordinary shares	(7,556,340,686)	-	50,375,603	-
Consolidation into 0.15p A ordinary shares and subsequent conversion into 0.15p ordinary shares	-	(32,283,324)	215,222	-
Allotment of 0.15p ordinary shares to Jay LeCoque	-	-	1,987,275	3
Total prior to Admission to AIM	-	-	52,578,100	79
Allotment of shares on Admission to AIM	-	-	21,604,938	32
At 31 December 2020	-	-	**74,183,038**	**111**
Movements in 2021	-	-	-	-
At 31 December 2021	**-**	**-**	**74,183,038**	**111**

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

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

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

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

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

22. Share capital (continued)

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

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

23. Description of the nature of each reserve within equity

Share capital

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

Share premium account

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

Foreign exchange reserve

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

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.

Retained earnings

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

24. Share based payments

At 31 December 2021 share options granted to Directors and employees remain unexercised under two different arrangements, both of which were established in the year following shareholder approval at the 2021 AGM. The share option arrangements comprise an unapproved Executive Share Option Plan ("ESOP") and a Save As You Earn ("SAYE") scheme.

ESOP

The Company has an Executive Share Option Plan which permitted the grant to Directors and senior management of share options in respect of ordinary shares in the Company. During 2021, a total of 4,750,000 options have been granted under this scheme, which is unapproved for tax purposes. The Scheme is an equity-settled arrangement and options granted under the scheme have a maximum life of 10 years from the date of grant. Options are capable of being exercised in tranches. One third may be exercised one year after the grant date, a further third may be exercised two years after grant date and all options are capable of being exercised three years from the grant date. All options may be exercised in the event of a takeover of the Company. All options have a performance threshold that the share price must be a minimum of 200 pence at the time of exercise and the options will ordinarily lapse on leaving employment with the Group. The following is a summary of the movements in outstanding share options under the ESOP:

	Number of share options	Weighted average exercise price pence
Outstanding at 1 January 2021	-	-
Issued in the year	4,750,000	154.5
Exercised in the year	-	-
Outstanding at 31 December 2021	**4,750,000**	154.5

Of the options outstanding at 31 December 2021, 2,000,000 options have an exercise price of 162 pence, and 2,750,000 options have an exercise price of 140 pence. None of the share options are exercisable at 31 December 2021.

The weighted average remaining contractual life of the options outstanding at 31 December 2021 was 9.8 years.

The fair values of the options granted were estimated at the date of grant using a Monte Carlo simulation as the awards have market performance vesting conditions. The key inputs to the option pricing model in respect of any options which remained outstanding at 31 December 2021 are summarised below:

	Number of share options	
Number of options granted in the year	2,000,000	2,750,000
Date of grant	30 September 2021	30 September 2021
Share price at invitation date	140 pence	140 pence
Weighted average exercise price	162 pence	140 pence
Expected volatility	40.0%	40.0%
Expected dividend yield	0.0%	0.0%
Expected option life	6 years	6 years
Risk-free interest rate	0.7%	0.7%
Fair value of option	48 pence	52 pence

Future share price volatility was estimated by using historic share price volatility over the most recent period.

SAYE

The Company has an HMRC approved Save as You Earn Scheme which permitted the grant to eligible UK employees who had completed three months of service share options in respect of ordinary shares in the Company. During 2021, a total of 145,984 options have been granted under this scheme. The 2021 share options have a contract start date of 1 December 2021 and the scheme will run for a period of three years. Subject to the rules of the 2021 SAYE Scheme, participants will be able to exercise their share options within six months commencing from 1 December 2024. The share options have an exercise price of 132.5 pence, being the closing price on 12 October 2021, the trading day before the invitation to participate was made.

The share options have no performance threshold but share options will ordinarily lapse on leaving employment with the Group. The following is a summary of the movements in outstanding share options under the SAYE:

	Number of share options	Weighted average exercise price pence
Outstanding at 1 January 2021	-	-
Issued in the year	145,984	132.5
Exercised in the year	-	-
Outstanding at 31 December 2021	**145,984**	132.5

24. Share based payments (continued)

Of the options outstanding at 31 December 2021, all 145,984 options have an exercise price of 132.5 pence. None of the share options are exercisable at 31 December 2021.

The weighted average remaining contractual life of the options outstanding at 31 December 2021 was 3.4 years.

The fair values of the options granted were estimated at the date of grant using a Black-Scholes option pricing model as the awards have non-market performance vesting conditions. The key inputs to the option pricing model in respect of any options which remained outstanding at 31 December 2021 are summarised below.

	Number of share options
Number of options granted in the year	145,984
Date of grant	10 November 2021
Share price at grant date	127.5 pence
Exercise price	132.5 pence
Expected volatility	40.0%
Expected dividend yield	0.0%
Expected option life	3.6 years
Risk-free interest rate	0.7%
Fair value of option	37 pence

Future share price volatility was estimated by using historic share price volatility over the most recent period.

Effect of share options and the Share Incentive Scheme on the Group Statement of Comprehensive Income and Equity reserves

The total share based payment charge in the Group Statement of Comprehensive Income was as follows:

Group	2021 £'000	2020 £'000
ESOP	**75**	-
SAYE	**2**	-
Provision at end of the year	**77**	-

These charges have been credited to a share based payment reserve within equity. The balance on this reserve at 31 December 2021 amounted to £77,000 (2020: £nil).

25. Trade and other payables

	Group		Company	
Current	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Trade payables	**4,740**	2,400	**121**	-
Other payables	**-**	69	**-**	-
Other tax and social security	**483**	614	**-**	-
Accruals	**2,933**	797	**395**	64
Contract liabilities	**5,206**	1,614	**-**	-
Amounts owed by subsidiary undertakings	-	-	**515**	-
Total	**13,362**	5,494	**1,031**	64
Non-current				
Contract liabilities	**339**	394	**-**	-

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.

26. Borrowings

Bank loans and overdrafts

As at 31 December 2021 and at 31 December 2020 the Group had no borrowings.

As of 31 December 2021 there were no borrowing facilities in place. As at 31 December 2020 the revolving credit facility available to the Group was £2,800,000 although none was drawn. When in place, bank loans and overdrafts of the Group, including the latterly undrawn facility, were secured by fixed and floating charges over certain assets of the Group. During 2021, all charges were released.

27. Lease liabilities

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

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Current	**1,049**	547	**-**	-
Non-current	**11,946**	11,602	**-**	-
Total	**12,995**	12,149	**-**	-

The Group had total cash outflows for leases of £1,501,000 in 2021 (2020: £992,000). The lease liabilities are calculated based on a discounted total of future lease payments and therefore include an element of financing costs.

28. Deferred tax

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

Group **Deferred tax assets / (liabilities)**	Accelerated tax depreciation £'000	Leases £'000	Other £'000	**Total £'000**
At 1 January 2020	30	-	-	30
(Credited) / charged to the profit and loss account	204	(559)	(70)	(425)
At 31 December 2020	234	(559)	(70)	(395)
(Credited) / charged to the profit and loss account	420	(215)	111	316
At 31 December 2021	**724**	**(774)**	**(29)**	**(79)**

In the Spring Budget 2021, the Government announced that from 1 April 2023 the UK corporation tax rate will increase to 25%. Substantive enactment occurred on 24 May 2021 therefore its effects have been included in these financial statements. The UK deferred tax balances within these financial statements have been calculated at 19% or 25% depending on when the related timing difference will reverse (2020: 19%).

29. Provisions

Group	**Onerous contract £'000**
At 1 January 2020	175
Utilisation of provision	(18)
At 31 December 2020	157
Utilisation of provision	(2)
At 31 December 2021	**155**

Group	**Onerous contract £'000**
Due in less than one year	16
Due in more than one year	141
At 31 December 2020	157
Due in less than one year	**18**
Due in more than one year	**137**
At 31 December 2021	**155**

The provision disclosed above refers to an onerous contract provision relating to future expected losses on a long-term cryogenic storage contract where the associated direct costs over the contract period are expected to be in excess of the revenue. The provision is expected to be utilised over the next 19 years.

There were no provisions recorded in the Company (2020: £nil).

30. Financial instruments and risk management

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

	2021 £'000	2020 £'000
Financial assets measured at amortised cost		
Cash and cash equivalents	**33,304**	8,435
Trade receivables	**5,843**	8,652
Other receivables	**185**	148
Total	**39,332**	17,235
Financial liabilities measured at amortised cost		
Trade payables	**4,740**	2,400
Other payables	**-**	69
Accruals	**2,933**	797
Lease liabilities	**12,995**	12,149
Total	**20,668**	15,415

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 below:

Credit risk

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

	2021 £'000	2020 £'000
Trade receivables	**5,843**	8,652
Other receivables	**185**	148
Contract assets	**413**	1,115
Cash and cash equivalents	**33,304**	8,435
Total	**39,745**	18,350

30. Financial instruments and risk management (continued)

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 £146,000 (2020: £34,000).

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

Liquidity risk

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

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

Contractual maturities of financial liabilities as at 31 December 2021 are as follows:

	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000	Carrying value per balance sheet £'000
Trade and other payables	4,740	-	-	4,740	4,740
Accruals	2,933	-	-	2,933	2,933
Lease liabilities	1,580	4,868	12,080	18,528	12,995
Total	**9,253**	**4,868**	**12,080**	**26,201**	**20,668**

Contractual maturities of financial liabilities as at 31 December 2020 are as follows:

	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000	Carrying value per balance sheet £'000
Trade and other payables	2,400	-	-	2,400	2,400
Accruals	797	-	-	797	797
Lease liabilities	923	3,650	12,539	17,112	12,149
Total	**4,120**	**3,650**	**12,539**	**20,309**	**15,346**

Impact of discounting on lease liabilities

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

	2021 £'000	2020 £'000
Undiscounted lease liabilities	**18,528**	17,112
Effects of discounting	**(5,533)**	(4,963)
Discounted lease liabilities	**12,995**	12,149

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.

Foreign currency risk

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

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

	2021		2020	
	USD'000	EUR'000	USD'000	EUR'000
Cash	**615**	**1,573**	100	238
Other monetary assets and liabilities	**(70)**	**257**	301	607

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

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

	2021		2020	
10% weakening versus functional currency	USD'000	EUR'000	USD'000	EUR'000
Profit before tax	**53**	**171**	28	(38)

	2021		2020	
10% strengthening versus functional currency	USD'000	EUR'000	USD'000	EUR'000
Profit before tax	**(44)**	**(140)**	(23)	(35)

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

30. Financial instruments and risk management (continued)

Fair value of financial instruments

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

Capital management

The Group's objectives when maintaining capital are:

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

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

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

Group	**2021 £'000**	2020 £'000
Lease liabilities	**(12,995)**	(12,149)
Cash and cash equivalents	**33,304**	8,435
Net cash / (debt)	**20,309**	(3,714)
Share capital	**111**	111

The level of debt to equity will be reviewed as the business moves away from COVID-19 testing and invests in its core business units, both organically and by acquisition.

Group	**2021 £'000**	2020 £'000
Gross borrowings - variable interest rates	**(12,995)**	(12,149)
Cash and cash equivalents	**33,304**	8,435
Net cash / (debt)	**20,309**	(3,714)

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

	Liabilities from financing activities					Other assets	
Group	Bank borrowings £'000	Shareholder borrowings £'000	Shareholder PIK notes £'000	Leases £'000	Subtotal £'000	Cash and cash equivalents £'000	Total £'000
Net (debt) / cash at 1 January 2020	(4,850)	(23,403)	(67,687)	(4,105)	(100,045)	1,235	(98,810)
Cash flows - net proceeds from share issues	-	-	-	-	-	31,760	31,760
Cash flows - new borrowings secured	(1,000)	(1,000)	-	-	(2,000)	2,000	-
Cash flows - borrowings repaid	5,850	24,403	-	-	30,253	(30,253)	-
Accrued interest added to borrowings	-	(2,549)	(4,971)	-	(7,520)	-	(7,520)
New leases	-	-	-	(8,938)	(8,938)	-	(8,938)
Capital repayment of lease liabilities	-	-	-	894	894	(894)	-
Net foreign exchange on cash and cash equivalents	-	-	-	-	-	7	7
Cash flows from operating activities	-	-	-	-	-	6,340	6,340
Purchase of tangible and intangible assets	-	-	-	-	-	(4,010)	(4,010)
Proceeds on disposal of tangible assets	-	-	-	-	-	5,000	5,000
Interest paid	-	2,549	-	-	2,549	(2,750)	(201)
Redemption in exchange for issuance of shares	-	-	72,658	-	72,658	-	72,658
Net cash / (debt) at 31 December 2020	-	-	-	(12,149)	(12,149)	8,435	(3,714)
New leases	-	-	-	(1,905)	(1,905)	-	(1,905)
Capital repayment of lease liabilities	-	-	-	1,501	1,501	(1,501)	-
Interest on lease liabilities	-	-	-	(442)	(442)	-	(442)
Net foreign exchange on cash and cash equivalents	-	-	-	-	-	(46)	(46)
Cash flows from operating activities	-	-	-	-	-	28,784	28,784
Purchase of tangible and intangible assets-	-	-	-	-	-	(3,015)	(3,015)
Proceeds on disposal of tangible assets	-	-	-	-	-	647	647
Net cash / (debt) at 31 December 2021	**-**	**-**	**-**	**(12,995)**	**(12,995)**	**33,304**	**20,309**

31. Financial commitments

Group

Contracted, but not provided, capital commitments at the year-end was £nil (2020: £154,000).

Company

The Company had no capital commitments at the year-end (2020: £nil).

32. Related party disclosures

Transactions with related parties

There were no such transactions in the current year. In the prior year these related to interest accrued on PIK loan notes and other loan notes, detailed as follows:

	2021 £'000	2020 £'000
Entities with control, joint control or significant influence over the Group	-	5,183

Remuneration

The remuneration of key management personnel of the Group, which includes the Directors, is disclosed in note 9.

Related companies

On 29 October 2020, a lease was granted by 1 Orchard Place (Freehold) 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 24 years at a current annual rent of £361,000 (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 1 Orchard Place (Freehold) Limited totalling £352,000 (2020: £55,000) which were paid in the year.

The Group was related to EKF Diagnostics Holdings PLC ("EKF"), a company incorporated in England and Wales, by virtue of Christopher Mills being a common director. During the year the Group made purchases of COVID-19 related consumables from EKF totalling £96,000 (2020: £140,000). An amount of £nil (2020: £70,000) was due to EKF at the year-end date.

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.

33. Contingent liability

In December 2021, HMRC issued a letter to the Group that challenged the Group's VAT treatment of COVID-19 PCR testing services provided. On professional advice, the Group has treated the accounting for COVID-19 PCR services as VAT exempt. HMRC has suggested that some or all of those services provided since 17 December 2020 should have been treated as standard rated for VAT purposes. The Group has continued to take advice, which supports the accounting treatment adopted, and remains in communication with HMRC to address their comments raised. Should all arguments presented by HMRC be held and based on draft calculations, the maximum potential cash liability payable by the Group would be £5.0 million in the event that none of the potential maximum VAT liability was recovered from customers. The maximum potential net cash benefit due to the Group would be £8.6 million in the event that all of the potential maximum VAT liability was recovered from customers. The Group believes that HMRC's claims are invalid and the Group will defend its position as necessary. The Board has concluded that it is probable that the Group will succeed in its defence of HMRC's claims and, in the light of this conclusion, coupled with the inherent uncertainty of any potential liability, no provision has been made in these financial statements.

34. Post balance sheet events

On 8 March 2022 the Company purchased the entire issued capital of LDPath Limited ("LDPath"), a London based leader in Digital Pathology testing services.

Unaudited management accounts for the year to 31 January 2022 showed revenue of £4.6 million (a growth of 97% over the prior year revenues) and earnings before interest, taxes, depreciation and amortisation (EBITDA) of £0.4 million and profit before tax of £0.3 million.

The up-front consideration was £18.5 million, reduced by a retention of £1.9 million which will be held for a period of two years to cover any claims under customary representations and warranties. There was a further retention relating to the collection of certain receivables of £0.4 million. Following the reduction of these retentions, £16.2 million was paid in cash upon completion on 8 March 2022. This cash was available from the Group's existing cash resources.

The Company agreed to adopt the balance sheet on the completion date, which is estimated to show net working capital of £0.3 million and total net assets of £0.6 million, and to include net debt of £0.9 million.

Subject to exceeding individual revenue thresholds for the remainder of 2022 as well as for calendar years 2023 and 2024, additional consideration will be payable to the vendors of LDPath. The aggregate earn-out payments are capped to a technical ceiling of £15.0 million. Any earn-out payments will be paid in cash following completion of the audit of that relevant year.

The Group has not yet finalised its proposed purchase price allocation in respect of the acquisition, but expects to have a draft purchase price allocation available for inclusion in the interim results for the six months ended 30 June 2022.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting ("AGM" or "Meeting") of SourceBio International plc (the "Company") will be held at 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX and by means of electronic facility on 15 June 2022 at midday.

Introduction

The Company has decided to hold this year's AGM as a hybrid meeting, as last year. A very limited number of Company personnel will be present to conduct the Meeting such that the minimum quorum requirements can be met. Shareholders will not be entitled to attend the Meeting in person.

Shareholders wishing to vote on any of the matters of business are strongly advised to appoint the Chairman of the Meeting as their proxy. If you attempt to appoint a named individual other than the Chairman of the Meeting, such individual will not be permitted to attend the Meeting and instead you will be deemed to have appointed the Chairman of the Meeting as your proxy. Shareholders may appoint a proxy through completion of a form of proxy, which can be submitted to the Company's Registrar via post or online at www.sharevote.co.uk. Alternatively, should you wish to vote via the CREST system, please see the instructions in the Explanatory Notes to the Notice of Meeting. For your vote to be valid please ensure it is received no later than midday on 13 June 2022. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by midday on 13 June 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

The Company will provide a facility for shareholders to join the AGM either online or telephonically via the Investor Meet Company ("IMC") platform and the Company's Executive Chairman, Jay LeCoque, will provide shareholders with a short presentation after the formal business of the AGM concludes, which will be made available on the Company's website after the event. There will be an opportunity for shareholders to ask questions. In order to facilitate the process, the Board would request that shareholders register for the Meeting and submit questions in advance, before 5pm on 11 June 2022. The Company is committed to ensuring that there are appropriate communication structures for all elements of its shareholder base so that its strategy, business model and performance can be clearly understood. Questions can be submitted pre-event via your IMC dashboard or at any time during the live presentation via the "Ask a Question" function. Although the Company may not be in a position to answer every question it receives, it will address the most prominent ones within the confines of information already disclosed to the market. Responses to the Q&A from the live presentation will be published at the earliest opportunity on the IMC platform.

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

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

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

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

You will be asked to consider and vote on the resolutions below. All resolutions will be proposed as ordinary resolutions save for resolutions 5 and 6 which will be proposed as special resolutions.

1. To receive and approve the Company's Annual Report and Accounts for the financial year ended 31 December 2021 together with the Directors' Report (including the Strategic Report) and the Auditor's Report.
2. To receive and approve the Directors' Remuneration Report for the financial year ended 31 December 2021.
3. To re-appoint RSM UK Audit LLP as auditor of the Company to hold office from the conclusion of the Meeting until the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the Directors to fix their remuneration.
4. That in substitution for any existing such authority, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "2006 Act") to allot equity securities (as defined by section 560 of the 2006 Act) of the Company:
   i. up to a maximum nominal amount of £11,128 (in pursuance of the exercise of outstanding share options and any other potential shares granted by the Company (pursuant to an "employees' share scheme" (as defined by section 1166 of the 2006 Act) but not for any other purpose);
   ii. up to an aggregate nominal amount of £37,091 (in addition to the authorities conferred in sub-paragraph (i) above) representing approximately 33% of the Company's total issued share capital,

   such authorities (unless previously renewed, revoked or varied) to expire at the conclusion of the next AGM of the Company to be held in 2023, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities (as defined by section 560 of the 2006 Act) to be allotted after such expiry and the Directors may allot such equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
5. That, subject to the passing of the above resolution the Directors be given the general power to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authority conferred by the resolution above as if section 561(1) of the 2006 Act did not apply to any such allotments provided that this power shall be limited to:
   (i) the allotment of equity securities on the exercise of the share options granted by the Company;
   (ii) the allotment of equity securities (otherwise than pursuant to sub-paragraph (i) above) for cash in connection with any rights issue or pre-emptive offer in favour of holders of equity securities generally; and
   (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities for cash up to an aggregate nominal amount of £11,128 representing approximately 10% of the Company's total issued share capital;

   provided that such power (unless previously renewed, revoked or varied) shall expire at the conclusion of the AGM of the Company to be held in 2023, save that the Company may, before such power expires, make an offer or enter into an agreement which would or might require equity securities to be allotted after such power expires and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.
6. To authorise the Company generally and unconditionally to make market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of £0.0015 each provided that:
   a) The maximum aggregate number of ordinary shares that may be purchased is 7,418,303.
   b) The minimum price (excluding expenses) which may be paid for each ordinary share is £0.0015.
   c) The maximum price (excluding expenses) which may be paid for each ordinary share is the higher of:
      i. 105 per cent of the average market value of an ordinary share in the Company for the five business days prior to the day the purchase is made; and
      ii. the value of an ordinary share calculated on the basis of the higher of the price quoted for:
         a. the last independent trade of; and
         b. the highest current independent bid for,

         any number of the Company's ordinary shares on the trading venue where the purchase is carried out.
   d) The authority conferred by this resolution shall expire at the conclusion of the Company's next AGM save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority.

By order of the Board

Tony Ratcliffe

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

9 May 2022

SHAREHOLDER INFORMATION

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. As this will be a hybrid meeting, shareholders are not permitted to attend the AGM in person. Every eligible shareholder is, however, entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the AGM. Shareholders who wish to participate in the Meeting should appoint the Chairman of the Meeting as their proxy in order to do so. No other person(s) purported to be appointed as proxy will be permitted to attend the Meeting in person. In such circumstances, if a shareholder appoints some other person or persons as proxy, such shareholder shall be deemed to have appointed the Chairman of the Meeting and not the other named person(s) as proxy.
2. The right to vote at the Meeting shall be determined by reference to the register of members of the Company. Only those persons whose names are entered on the register of members of the Company at 6:30pm on 13 June 2022, or, if the Meeting is adjourned, at 6:30pm on the date falling two days prior to the date of the adjourned Meeting, shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after the times specified above shall be disregarded in determining the rights of any person to attend and/or vote at the relevant meeting.
3. The Company will provide a facility for shareholders to join the AGM either online or telephonically via the Investor Meet Company ("IMC") platform. There will be an opportunity for shareholders to ask questions. In order to facilitate the process, the Board would request that shareholders register for the Meeting and submit questions in advance, before 5pm on 11 June 2022. Questions can be submitted pre-event via your IMC dashboard or at any time during the live presentation via the "Ask a Question" function. Please contact the Company Secretary at companysecretary@sourcebioscience.com if you have any questions in relation to this.
4. The information which the Company is required to publish in advance of the Meeting by virtue of section 311A of the Act can be accessed via www.sourcebiointernational.com.
5. As a member of the Company you are entitled to attend and vote at the Meeting convened by this Notice and are entitled to appoint one or more proxies to exercise any of your rights to attend, speak and vote at that Meeting on your behalf. If a member appoints more than one proxy, each proxy must be entitled to exercise the rights attached to different shares held by that member. You may not appoint more than one proxy to exercise rights attaching to any one share. To appoint more than one proxy, you must complete a separate Form of Proxy, or alternatively, additional proxy forms can be obtained from Equiniti Limited on telephone 0371 384 2030 (lines open 8:30am to 5:30pm, Monday to Friday) or for overseas shareholders +44(0)121 415 7047. If the proxy instruction is one of multiple instructions being given, please tick the box provided beneath the resolutions. You should also indicate the number of shares for which each proxy is authorised in respect of your full voting entitlement. A proxy need not be a member of the Company. Please note that as this will be a hybrid meeting, shareholders are not permitted to attend the AGM in person and are strongly encouraged to appoint the Chairman of the Meeting as their proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the AGM. For more information, please see Note 1 above.
6. A proxy may only be appointed using the procedures set out in the notes to the Notice of AGM and these notes. To appoint a proxy, a member may complete, sign and date the enclosed proxy form and deposit it at the office of the Company's Registrar, Equiniti Limited, at Aspect House, Spencer Road, Lancing BN99 6DA no later than 48 hours before the start of the Meeting. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form. In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. If you have not received a proxy form and believe that you should have one, or if you require additional proxy forms, please contact Equiniti on 0371 384 2030 (+44 (0)121 415 7047 if you are calling from outside the UK). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Please note that as this will be a hybrid meeting, shareholders are not permitted to attend the AGM in person and are strongly encouraged to appoint the Chairman of the Meeting as their proxy. For more information please refer to Note 1 above.
7. You may, if you wish, register the appointment of a proxy electronically by logging on to www.sharevote.co.uk. To use this service you will need your Voting ID, Task ID and Shareholder Reference Number, printed on the proxy form. Full details of the procedure are given on the website. For an electronic proxy appointment to be valid, your appointment must be received by Equiniti no later than 48 hours before the start of the Meeting. Please note that as this is a hybrid meeting, shareholders wishing to appoint a proxy are strongly encouraged to appoint the Chairman of the Meeting as their proxy. For more information, please refer to Note 1 above.
8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST sponsors who have appointed a voting service provider(s), should refer to their CREST sponsors or voting service providers, who will be able to take the appropriate action on their behalf. Please note as this is a hybrid meeting, shareholders wishing to appoint a proxy are strongly encouraged to appoint the Chairman of the Meeting as their proxy. For more information please refer to Note 1 above.
9. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (CREST Proxy Instruction) must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited (Euroclear UK & Ireland) and must contain the information required for such instructions as described in the CREST manual. The message must be transmitted so as to be received by the Company's agent (ID RA19) by the latest time for receipt of proxy appointments specified in the Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors and voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by midday on 13 June 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
13. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
14. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
15. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

16. A corporation which is a member of the Company may authorise one or more persons (who need not be a member of the Company) to attend, speak and vote at the Meeting as the representative of that corporation, provided that they do not do so in relation to the same shares. A certified copy of the Board resolution of the corporation appointing the relevant person as the representative of that corporation in connection with the Meeting must be deposited at the office of the Company's Registrar prior to the commencement of the Meeting.
17. Completion of the proxy form does not preclude attendance at the Meeting. If you wish to attend the Meeting, only those persons whose names are entered on the register of members of the Company at 6:30pm on 13 June 2022 or, if the Meeting is adjourned, at 6:30pm on the date falling two days prior to the date of the adjourned Meeting, shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after the times specified above shall be disregarded in determining the rights of any person to attend and/or vote at the relevant meeting. Please note that anyone seeking to physically attend the AGM will be refused entry.
18. Members who wish to communicate with the Company by electronic means in connection with the matters set out in this Notice may do so by contacting the Company at companysecretary@sourcebioscience.com on or before 6:30pm on 11 June 2022. Shareholders who have general queries about the Meeting should contact the Company Secretary at companysecretary@sourcebioscience.com.
19. It is not permissible to use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
20. As at 12.00pm on 4 April 2022 (the date on which the Report of the Directors was signed), the Company's issued share capital comprised 74,183,038 ordinary shares of 0.15p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 12.00pm on 4 April 2022 is 74,183,038. The Company's website will include information on the number of shares and voting rights.
21. Subject to the provisions of section 319A of the Act, at the Meeting the Company must cause to be answered any question relating to the business being dealt with at the Meeting put by a member attending the Meeting. An answer need not be given if:
    - answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
    - the answer has already been given on a website in the form of an answer to a question; or
    - it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
22. Copies of the service contracts and letters of appointment of the Directors and the Non-Executive Directors of the Company are available for inspection at the Company's registered office during normal business hours.
23. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent adviser authorised under the Financial Services and Markets Act 2000.
24. If you have sold or transferred all of your shares in the Company, please forward this document, together with the accompanying documents, as soon as possible either to the purchaser or transferee or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Ordinary Resolutions

Resolution 1 - Annual Report and Accounts

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

Resolution 2 - Remuneration report

The Directors' Remuneration Report in the 2021 Annual Report and Accounts contains:

- the annual statement by Sir Ian Carruthers, Chairman of the Remuneration Committee
- the annual report on remuneration which sets out payments made during the financial year ended 31 December 2021 and explains how the remuneration policy was implemented in 2021

Sir Ian Carruthers' annual statement and the annual report on remuneration are set out on pages 42 to 46 of the Annual Report and Accounts.

Resolution 3 - Re-Appointment of auditor

The Company is required to appoint an auditor at each meeting at which accounts are presented. RSM UK Audit LLP have indicated their willingness to be re-appointed to office. Accordingly, resolution 3, subject to the approval of the shareholders of the Company, appoints RSM UK Audit LLP as auditor of the Company and authorises the Directors to determine the remuneration of the auditor.

Resolution 4 - Directors' power to allot equity securities

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

Special Resolutions

Resolution 5 - Disapplication of pre-emption rights

The right of pre-emption will not apply to allotments made under resolution 4 subject to the specific limitations set out in resolution 5.

Resolution 6 - Authorisation for market purchases of own shares

The Company requires shareholder approval to make market purchases of its own shares.

DIRECTORS, OFFICERS AND ADVISORS

Directors

Jay LeCoque
Executive Chairman

Tony Ratcliffe
Chief Financial Officer

Sir Ian Carruthers OBE
Senior Independent
Non-Executive Director

Simon Constantine
Independent
Non-Executive Director

Marco Fumagalli
Non-Executive Director

Christopher Mills
Non-Executive Director

Company Secretary

Tony Ratcliffe

Registered Office

1 Orchard Place
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sourcebiointernational.com

Registered Number

10269474

Advisors

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RSM UK Audit LLP
Suite A, 7th Floor
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2 Tollhouse Hill
Nottingham
NG1 5FS

Nominated Advisor and Broker
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25 Ropemaker Street
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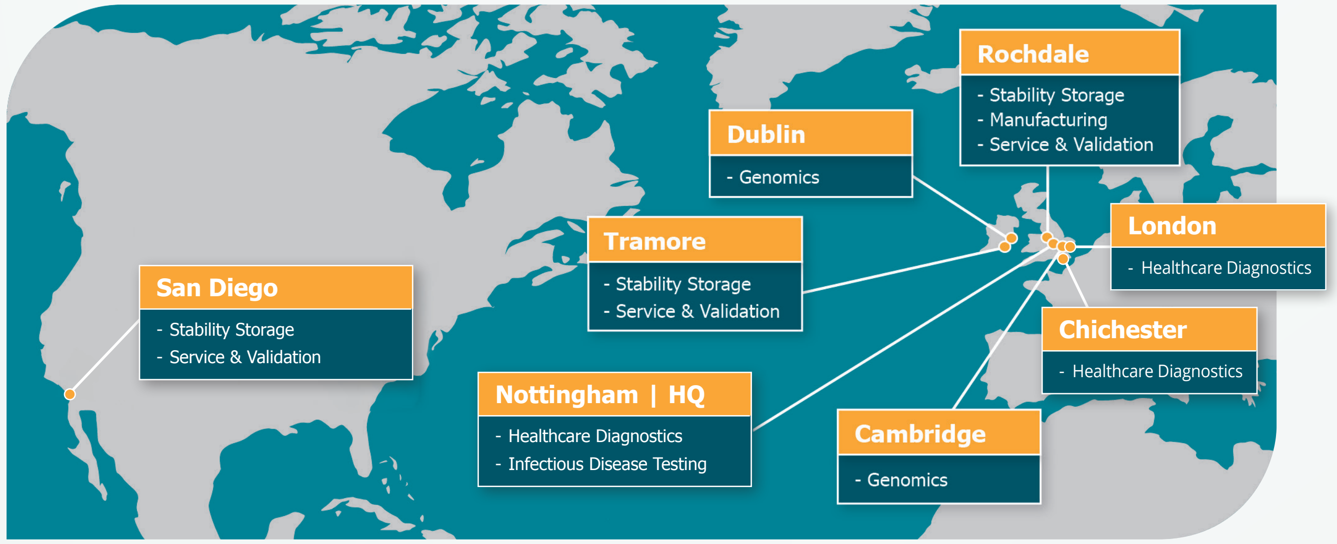
Principal Banker
Barclays Bank plc
3 Hardman Street
1st Floor
Spinningfields
Manchester
M3 3HF

Legal Advisor
BDB Pitmans LLP
One Bartholomew Close
London
EC1A 7BL

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
BN99 6DA



Group Locations

UK and Head Office
Nottingham
1 Orchard Place
Nottingham Business Park
Nottingham
NG8 6PX

Cambridge
William James House
Cowley Road
Cambridge
CB4 0WU

Chichester
Units 3 & 4
The Courtyard Lab
Vinnetrow Business Park
Vinnetrow Road
Chichester
PO20 1QH

London
6 St John's Place
London
EC1M 4NP

Rochdale
John Boyd Dunlop Drive
Kingsway Business Park
Rochdale
OL16 4NG

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Riverstown 5 Complex
Riverstown Industrial Estate
Tramore
County Waterford
Republic of Ireland

Dublin City University
NRF Building
Glasnevin Campus
Dublin 9
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