

Annual Report & Accounts

for the year ended 31 December

2014

 **Healthcare**
LifeSciences
Stability & Bio Storage

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Source BioScience plc
Company Number 79136

2	Highlights
4	Group at a Glance
6	Chairman's Statement
10	Business Review
24	The Board of Directors
26	Directors' Report
30	Corporate Governance Statement
33	Audit Committee Report
37	Directors' Report on Remuneration
62	Statements of Directors' Responsibilities
63	Independent Auditor's Report
66	Consolidated Statement of Comprehensive Income
67	Statements of Changes in Shareholders' Equity
68	Statements of Financial Position
69	Statements of Cash Flows
70	Notes to the Consolidated Financial Statements
103	Notice of Annual General Meeting
107	Explanatory Notes to the Notice of Annual General Meeting
116	Glossary
120	Directors, Officers and Advisors

Group Locations



Source BioScience is a trusted provider of state of the art laboratory services and products to the healthcare and clinical, life and applied sciences and biopharma industries.

Our strategy is to grow our Healthcare, LifeSciences and Stability & Bio Storage activities, building on our position as a leading European and North American provider of laboratory services and products to the diagnostic and research markets.



Group Highlights

Financial Highlights

- Revenue increased by 29% to £25.2 million (2013: £19.5 million)
- Adjusted* operating profit increased by 85% to £2.6 million (2013: £1.4 million adjusted*)
- Adjusted* EBITDA increased by 54% to £5.1 million (2013: £3.3 million adjusted*)
- Profit before tax of £1.4 million (2013: loss of £1.1 million)
- Adjusted* EPS increased by 133% to 0.56p basic (2013: 0.24p basic)
- Cash balance of £2.6 million (2013: £4.2 million) and net debt of £4.3 million (2013: £5.0 million)

*Adjusted results are stated after eliminating non-recurring restructuring costs of £0.8 million (2013: after eliminating £2.3 million of acquisition costs and post-acquisition restructuring costs). The adjusted results have been included to present a fair comparison of the progress in the underlying business.

Operational highlights

- Commercial launch of the enhanced Source BioScience portfolio commenced in the USA
- Overnight Service™ for DNA sequencing launched from new laboratories in Los Angeles, BioCity Scotland and Tramore, Ireland
- Product distribution started from new molecular biology laboratories in Atlanta
- Relocation and consolidation of contract research LifeSciences laboratory activities from Germany to the UK, enabling the Berlin facility to focus on Overnight Service™ for DNA sequencing
- Capital investment in additional, specialised bio-storage facilities in the UK and the USA to meet customer demand from the biopharma industry for storage and laboratory services

Post-period events

- Launch of new Company website and superior e-commerce solution and eShop, allowing customers ready access to products and services, as well as scientific and technical support applications; underpins comprehensive digital marketing strategy for 2015 and beyond
- Commissioned state of the art serology and blood banking products manufacturing facilities at the Group's Rochdale, UK site including "Class A" Good Manufacturing Practice clean room capability



Group at a Glance

Source BioScience is an international laboratory services and products business with nine state of the art facilities in five countries and with customers in over 90 countries worldwide. The Group offers a complementary portfolio of services and products that share common technologies, laboratory processes, infrastructure and expertise.

With a superior quality management system, including GCP, GLP, GMP and Clinical Pathology accreditations and licensing by the Human Tissue Authority, Source BioScience is ideally placed to serve the healthcare, life science and biopharma sectors for the long term.

Healthcare

The Healthcare division comprises diagnostic services, including testing for cancer and infectious disease, and a complementary portfolio of laboratory and clinical products, including cervical cancer screening in addition to blood and tissue serology reagents.

LifeSciences

The LifeSciences division provides ultra-fast DNA sequencing services and related products, delivered by Source BioScience's international network of laboratories and distributors to academic research groups, biotechnology and pharmaceutical companies.

Stability & Bio Storage

The Stability & Bio Storage division provides support for drug discovery, from biomarker discovery and clinical trial services through to stability storage and sample archiving under environmentally controlled conditions.

Highlights

- Commissioned state of the art serology products manufacturing facilities at Rochdale including "Class A" clean room facilities
- Additional proprietary assays developed for diagnostic services providing a competitive advantage

Services and Products

- Expertise in cancer and infectious disease diagnostics
- Application of gene-based testing to diagnostics; > 50% tests now have a genetic component
- Support for National Chlamydia Screening Programme through online access and testing service
- Cervical Screening Programme support; delivered > 1.6 million cervical tests to the NHS
- Blood and tissue serology products; annualised revenue up nearly 20%

Highlights

- Overnight Service™ for 12 hour DNA sequencing launched from new facilities in Los Angeles, BioCity Scotland and Tramore
- Product distribution commenced from new molecular biology laboratory in Atlanta

Services and Products

- Leading European provider of DNA sequencing
- Unique international laboratory network for Overnight Service™ delivering DNA sequencing in less than 12 hours from eight sites across Europe and the US
- Next generation DNA sequencing and contract research services
- Complementary portfolio of research tools including antibodies and DNA clone libraries
- Enhanced website and GenomeCUBE® web-based portal, providing superior e-commerce and eShop solution for customers

Highlights

- Capital investment in additional, specialised bio-storage facilities in the UK and USA to meet customer demand
- Expansion of tissue and gene-based analysis services providing a single-site solution for stability storage and analysis

Services and Products

- Clinical trial support
- Stability storage
- Bio- and cryo-storage
- Laboratory analytical services
- Stability suite manufacture
- MHRA, FDA, and HTA accreditations

Chairman's Statement

Laurie Turnbull

"The Group has a very strong business model and opportunities for further growth are apparent across all three divisions."

Summary results

	2014 £'000	2013 £'000	% change
Revenue	25,175	19,525	+29%
Gross profit	12,244	8,990	+36%
Adjusted operating profit*	2,626	1,420	+85%
Adjusted profit before tax*	2,223	1,182	+88%
Adjusted EBITDA*	5,089	3,295	+54%
Cash generated from operations	2,822	2,446	+15%

*Adjusted results are stated after eliminating non-recurring restructuring costs of £0.8 million (2013: after eliminating £2.3 million of acquisition costs and post-acquisition restructuring costs). The adjusted results have been included to present a fair comparison of the progress in the underlying business.

Overview

2014 has been another year of significant progress for the Company. A key focus for 2014 was concluding the integration of the Inverclyde Biologicals and Vindon businesses, both acquired during 2013, and this has been delivered to plan.

These two transactions were important steps in accelerating the growth and expansion of the Group. The rapid integration of these businesses has enabled the Company to leverage the portfolio benefits and new commercial channels that the acquisitions provided. Through these acquisitions the Group has added high quality, high margin clinical grade serology products to the Healthcare portfolio and accelerated the penetration of the very substantial US life science research and biopharma markets.

The Source BioScience DNA sequencing service has been launched in Los Angeles and LifeSciences products are now distributed to US customers from the Group's molecular biology laboratories, commissioned during the year in Atlanta.

The enhanced range of services and products, including the combination of laboratory services and controlled storage expertise, has enabled the Group to offer a “one stop” storage and downstream analysis service. The cohesion and commonality of the operational infrastructure, expertise and extended geographic reach is critical to driving the growth of the business. This represents a “joined up” business built on common technology platforms and infrastructure, laboratory processes and intellectual capital.

As a result of the rapid integration of the acquired businesses, and the subsequent leveraging of the expanded portfolio and geographic reach, the Directors are again pleased to report that operating profit and cash generation from operations have increased during the year.

Divisional performance

A summary of the activities and performance of the Healthcare, LifeSciences and Stability & Bio Storage divisions is presented over the page. More detail is provided in the Business Review.

Chairman's Statement continued

Healthcare

Healthcare revenue increased by 7% to £10.0 million (2013: £9.4 million) and divisional operating profit increased by 15% to £3.4 million (2013: £3.0 million).

The diagnostic activities continued the impressive performance reported at the half year and the aggregate number of diagnostic tests conducted increased by over 70% compared with 2013.

A significant component of this increase resulted from the growth in the sexually transmitted infection ('STI') testing service, particularly through the award of additional Chlamydia screening contracts to the Group during the year. STI testing volumes have increased by more than 150% compared with 2013. Source BioScience's expertise in DNA-based diagnostic testing and significant experience of supporting the UK Cervical Screening Programme has been central to winning tenders for the National Chlamydia Screening Programme.

During 2014 the Group also saw volumes increase by over 70% for gene-based cancer companion diagnostic testing. A leading capability in DNA analysis, coupled with core pathology expertise, ensure that Source BioScience is well placed to exploit the growing demand for companion diagnostic and gene-based testing for cancer and other diseases.

As reported previously, since 2009 there has been a year on year, UK-wide reduction in the number of women being called for cervical screening tests in addition to a decline in the number of women complying with the screening programme. It is pleasing to report however, that the anticipated softening in cervical screening volumes has been compensated for by the planned portfolio expansion and increased geographic coverage of the serology products business. The downward trend in cervical screening volumes is expected to continue but, as highlighted above, there are greater opportunities for growth across other components of the Healthcare portfolio.

LifeSciences

LifeSciences delivered revenue of £7.2 million (2013: £7.6 million) and a divisional operating profit of £1.1 million (2013: £1.2 million) as the Group invested to extend its market coverage and expand its specialist product offering.

Operating profit in the division was impacted by the incremental, fixed staffing and other operational costs associated with opening the new laboratory facilities during the year. The commissioning costs were in line with budget and gross margin will increase as revenue is generated from these facilities. The commercial endeavours to support this growth are progressing as planned.

Pricing pressures in the highly competitive life sciences research market also impacted negatively on revenue during the year. These pressures were particularly acute with respect to the more complex next generation DNA sequencing and genomics projects. Adjusting the sales mix, not competing on price and delivering further operational efficiencies substantially mitigated the price pressure impact.

Source BioScience's ambition is to become Europe and the USA's leading commercial provider of DNA sequencing and the Overnight Service™, which provides rapid access to sequencing data, is instrumental in achieving this. The Group's market share in the UK continues to increase and DNA sequencing volumes during 2014 were over 30% greater than the prior year, driving both revenue and margin growth.

The momentum in sequencing volumes is being sustained by the introduction of new services and the expansion of Source BioScience's laboratory network into Scotland and into the USA. During the year the Overnight Service™ was launched from the newly commissioned facilities in Los Angeles, BioCity Scotland and Tramore (Ireland).

In addition, a new molecular biology laboratory was opened in the Atlanta facility to support the LifeSciences expansion in the USA, allowing products to be delivered to US customers from a US base. This significantly reduces turnaround times and transportation costs, making the LifeSciences product portfolio more attractive to local customers.

As reported previously, a major element of the longer term growth strategy is the expansion of the Group's product portfolio, supported by the GenomeCUBE® search engine and e-commerce platform. These initiatives are progressing to plan and will ultimately enable the globalisation of the products business, providing distributors, and customers, fast and ready access to the Group's entire portfolio of products.

Stability & Bio Storage

Revenue was £8.0 million (2013: £2.5 million) and divisional operating profit increased to £1.6 million (2013: £0.3 million) reflecting the successful integration of Vindon and a much stronger commercial focus on product development and laboratory services.

The division largely comprises the activities of the Vindon business acquired in September 2013, integration of which was completed during the year. The first tranche of operational initiatives was largely concluded during the first quarter of the year, including the consolidation of the Group's two Ireland facilities onto a single site in Tramore and the consolidation of the Group-wide warehousing and logistics infrastructure into Rochdale, UK. The operational efficiencies gained from these changes have already benefitted the Group throughout the year.

The second tranche of operational initiatives involved the transfer of our Scotland-based DNA sequencing service to new, bespoke laboratory facilities at BioCity Scotland and the commissioning of high throughput serology production capability at our Rochdale site. This included the installation of clean room manufacturing facilities for serology and blood banking products. In addition, our specialised LifeSciences laboratory operations were migrated and consolidated from Germany to the UK, enabling the Berlin facility to focus on the delivery of the Overnight Service™ for DNA sequencing.

In implementing the second tranche of operational and infrastructure improvements, the Group incurred one-off, non-recurring restructuring costs totalling £0.8 million (note 4). These initiatives were substantially complete at the year end and have been concluded during Q1 2015. The steps taken have provided the flexibility to support the continued growth of the customer base in Scotland and the capacity to deliver on the Board's aspirations for the serology products business.

Our people

Source BioScience's staff are fundamental to the success of the business and 2014 was another year of significant change and continued improvement in its performance. On behalf of the Board, I would like to thank everyone across the Group for their hard work and dedication throughout the year and also welcome all of the new employees who have joined the Source BioScience team over the past twelve months.

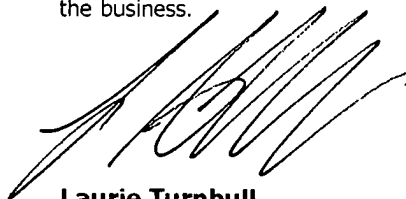
During the year, Tim Metcalfe was appointed to the Board as Group Finance Director. Tim's substantial international accounting and finance experience, in a range of large multinational companies, will be invaluable as we progress the expansion of our operations outside of the UK.

I would also like to reiterate my welcome to Pam Liversidge to the Board as a Non-Executive Director. Pam has enjoyed a successful career in senior leadership roles across a broad spectrum of companies and her considerable knowledge will be invaluable to the Group.

The Company is determined to recruit and retain the highest calibre individuals and both Tim and Pam bring experience and an important, additional skill base to the Board as we continue with the implementation of the Group's growth strategy.

Outlook

We believe we have a very strong business model and opportunities for further growth are apparent across all three divisions. The Board's strategy is to expand the service and product offering, enabling greater market penetration, with the objective of delivering increasing returns for shareholders. The aim is to achieve this through continued organic growth from the enlarged infrastructure base in addition to further, carefully selected acquisitions when the opportunities arise, building on the strong foundations now inherent in the business.



Laurie Turnbull

Chairman

28 April 2015

Business Review

Dr Nick Ash

“Investment made during the year has delivered an efficient and scalable infrastructure, which supports the Company’s aspirations and strategy for continued growth.”

Cautionary statement

This Business Review contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Source BioScience plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Nothing in this Business Review should be construed as a profit forecast.

Source BioScience is a trusted provider of state of the art laboratory services and products to the healthcare and clinical, life and applied sciences and biopharma industries. The commercial activities of the Group are organised into three divisions: Healthcare, LifeSciences and Stability & Bio Storage. The business activities and performance during 2014 and expectations for 2015 are described below.

Healthcare

The Healthcare division comprises diagnostic services, including testing for cancer and infectious disease, and a complementary portfolio of laboratory and clinical products, including cervical cancer screening in addition to blood and tissue serology reagents.

LifeSciences

The LifeSciences division provides ultra-fast DNA sequencing services and related products, delivered by Source BioScience’s international network of laboratories and distributors to academic research groups, biotechnology and pharmaceutical companies.

Stability & Bio Storage

The Stability & Bio Storage division provides support for drug discovery, from biomarker discovery and clinical trial services through to stability storage and sample archiving under environmentally controlled conditions.

Resources available to the Group

The key resources available to Source BioScience to help it achieve its objectives include an outstanding reputation for delivery, quality and customer service across all activities; strong market position; an excellent customer base and a secure financial foundation. In addition, the Group has an experienced, flexible and motivated work force which the Board holds in very high regard. There are the cash resources available to invest prudently and appropriately in both operational and commercial capability and also in the business growth opportunities that the Board has identified.

Over the medium to long term, the Board strongly believes that Source BioScience has the potential to become Europe's leading provider of quality services and products to growing markets in life science research and healthcare. In addition, the Group has significant opportunities to expand its penetration of the key US markets for life science research and biopharma markets. The resources available to the Group, and the extended geographies in which it now operates, provide the opportunities to deliver superior value to shareholders.

Key risks facing the business

As with any organisation, the Group faces certain risks which may adversely affect its business both now and in the future. Many of these are general in nature and can affect all businesses. Examples of such risks include the ability to win business on profitable and commercial terms in the face of significant competition; the reliance on key personnel; the ability to successfully integrate acquisitions; the ability to grow the business both organically and through acquisitions; the risk of interruption to operations and the continued ability of the Group to remain a viable and successful business.

The Board operates a system of internal control and risk management to provide reasonable assurance regarding the effectiveness and efficiency of operations, internal financial control and compliance with laws and regulations. The system of internal control 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.

Within this Business Review, the key risks facing each of the Group's business activities, together with the Board's approach to managing and mitigating such risks, are set out on pages 11 to 20. In addition, the Board believes that the Group overall faces certain specific key risks as follows:

That appropriate investment is made in activities that will generate competitive advantage and drive the success of the Group over the short, medium and long term.

Within its available resources, and without increasing the overall financial risk to the Group, Source BioScience has invested in key acquisitions over the past eight years to enhance the financial, operational and commercial performance of the Group. There has also been continued investment in specific projects to support the organic growth of the business. During the year additional investment has been made in laboratory infrastructure to support the launch of the Group's life sciences activities in the USA including DNA sequencing and molecular biology capability in Los Angeles and Atlanta respectively; continued expansion of the DNA sequencing service in Ireland and Scotland; enhanced serology manufacturing capability in Rochdale; increased capacity of the stability storage facilities in the UK and USA in addition to further investment in the proprietary e-commerce infrastructure and laboratory information management systems. The Board has also ensured that intellectual capital and know how is suitably protected in support of the business objectives.

Interruption to the Group's e-commerce platforms, or failure of laboratory infrastructure, could adversely affect quality and timeliness of service delivery.

The Group has implemented a range of measures to mitigate the risk of interruption to the website, and associated infrastructure, and laboratory activities. These include, but are not limited to, dual site backup hosting arrangements, installation of backup power supply, duplicated inventory of biological materials stored in a secure second facility, telemetry and alarm systems for critical equipment, environmentally controlled premises and appropriate service and maintenance arrangements.

The ability of the Group to maintain operating cash generation and therefore not negatively impact working capital requirements nor the ability to service our financing obligations.

The Board of Source BioScience has operating cash generation as a clearly stated objective and the Group has continued to be strongly cash generative during 2014, generating cash from operating activities during the year with continued progress expected during 2015.

The loss of key employees could weaken the Group's management and operational capabilities, adversely affecting its ability to achieve its objectives.

The Board endeavours to ensure that key members of the senior management team and staff are suitably trained, incentivised and motivated. In addition, the culture of the Group is to ensure that appropriate cross-training is undertaken and knowledge sharing is actively encouraged and rewarded.

Business Review continued

Business Segment Performance Review

Healthcare

The division has performed strongly in the year; revenue increased by 7% to £10.0 million (2013: £9.4 million) and divisional operating profit increased by 15% to £3.4 million (2013: £3.0 million).

Diagnostic services

The Healthcare diagnostic services business provides expert histopathology (tissue analysis), molecular diagnostics (genetic and DNA-based analysis) and companion diagnostic testing services to public and private healthcare providers. These services have traditionally been applied to cancer diagnostics but are increasingly being applied to other disease areas, such as sexually transmitted disease screening.

Source BioScience operates one of only a limited number of accredited laboratories in Europe with the capability to deliver this combination of complex tissue-based and molecular testing to hospitals and clinics, as well as private individuals, providing the Group with a competitive advantage.

Diagnostic services has delivered good growth in 2014, with laboratory volumes up more than 70% compared with last year, and is expected to drive growth in the longer term. Continued growth in core diagnostics and companion diagnostics for cancer, coupled with the planned expansion into infectious disease, delivered the growth in diagnostic services in the year.

A significant component of the increase in diagnostic services volumes resulted from the expansion of sexually transmitted infection ('STI') testing, launched during the second half of 2013, and the subsequent winning of a number of Chlamydia screening tenders in the UK. The Source BioScience service enables web-based access to Chlamydia and Gonorrhea testing for private individuals as well as an outsourced laboratory services model for healthcare commissioning groups.

Sexually transmitted infection testing has increased by more than 150%

Chlamydia testing is provided free in the UK to anyone aged between 16 and 24 years old, supported by the NHS Chlamydia Screening Programme, and can be accessed via the Company's www.dontpassiton.co.uk online service. Where testing is not available free, the Company's confidential service for a range of STI testing can be accessed at www.jbu-clinic.co.uk

In addition to providing laboratory testing, Source BioScience also provides a complete patient care pathway to support individuals after they have accessed their results and received their diagnosis. This end to end service offering is instrumental in winning contracts for healthcare commissioning groups.

Ongoing and increasing demand from the NHS for gene-based diagnostics and companion diagnostic testing for cancer has also been a driver for growth. Companion diagnostics are useful for stratifying patients into groups which are known to respond in a particular way to a drug, enabling clinicians to make better informed treatment decisions. During the year, the number of patient samples received for the core cancer and companion diagnostic service has risen by more than 50%, validating the Source BioScience outsourcing model and demonstrating the increasing clinical importance of this type of diagnostic testing and the role it will play in stratified and personalised medicine.

The diagnostic services offering is constantly monitored and reviewed to ensure that it meets existing and anticipated demand from customers. The portfolio has been further enhanced during the year, including the development and validation of proprietary assays for additional genetic tests for disease. These proprietary assays improve laboratory efficiency, reduce costs and provide a competitive advantage. Further growth in this area is expected during 2015.

Business Review continued

Business Segment Performance Review

Healthcare

Healthcare products

The Healthcare products business comprises a portfolio of laboratory and clinical products and reagents. The cytology (cell analysis) operation provides products and systems essential for the preparation and analysis of cervical smear samples as part of the NHS Cervical Screening Programme. The cytology offering underpins approximately 50% of the Cervical Screening Programme in England and Wales.

Demand for cytology products closely correlates with overall compliance with the screening programme which, as reported previously, peaked in 2009. The Company has managed the impact of this ongoing change in the dynamics by introducing additional services and products to support the screening programme, for example the implementation of the FocalPoint™ automated imaging solution. The downward trend in cervical screening compliance is expected to continue and the Company has a number of strategies in place to manage this. Further changes to the NHS Cervical Screening Programme are anticipated, including the gradual switch to Human Papilloma Virus ('HPV') testing as part of the screening programme. At this stage the NHS timescale for any changes, and the timing of its impact on Source BioScience, remains undetermined.

The serology operation provides diagnostic products and other clinical reagents, including phosphate buffered saline solutions, to laboratories undertaking blood typing and tissue analysis including NHS Blood and Transplant. This product portfolio is complementary with the existing Source BioScience products business and has resulted in cross-selling opportunities being crystallised during the year. This operation has benefitted from additional commercial activity, achieving annualised revenue up nearly 20% year on year.

The commissioning of high throughput serology production capability in Rochdale along with the installation of clean room manufacturing facilities for serology and blood banking products supports the next stage in accelerating the growth of the Group's serology business by increasing the flexibility, productivity and gross margin of the manufacturing process.

The key risks facing Healthcare Services, together with the Board's approach to managing such risks, are set out below:

The majority of the revenue in Diagnostics is derived from outsourcing by customers and may cease if and when a customer develops appropriate and sufficient internal resource to satisfy the demand.

The Group has invested in research, development and marketing programmes that will provide continued sources of competitive advantage for the Diagnostic activities and deliver value added services to existing and new customers. As demand for gene-based testing and molecular diagnostics increases, this strengthens the Group's commercial advantage as Source BioScience is one of only a handful of accredited laboratories in Europe with the capability to deliver this type of complex diagnostic testing. A rolling programme of service development will continue, including offering services in different disease areas, to further grow the Diagnostics business.

The breadth of service offering in Diagnostics remains relatively narrow and is exposed to competition across all of its services.

The Board has targeted the expansion of its offering in Diagnostics. The range of diagnostic testing services during the year has been enhanced and the sexually transmitted infection diagnostic service has been expanded, in addition to further diagnostic tests for cancer. The extended range of genetic testing also enables the Group to offer services for other disease areas where previously there was limited penetration including, for example, non-invasive pre-natal testing ('NPT'). Source BioScience now offers a range of molecular diagnostic testing for metabolic, cardiac and central nervous system disease in addition to the core strengths in oncology and sexually transmitted infection testing.

Diagnostic activities for public healthcare are dependent upon the ability to maintain CPA accredited status and Care Quality Commission ('CQC') registration.

Source BioScience has a commitment to quality and has implemented clear policies and procedures throughout the business aimed at ensuring compliance with CPA requirements as well as other quality standards and the UK National External Quality Assessment Service ('NEQAS') scheme. Whilst responsibility for compliance with such policies and procedures rests with operational management, the Group maintains a dedicated Quality Assurance Department with three staff who oversee compliance. The Group is also subject to regular audits and inspections from the regulatory bodies responsible for such accreditations. The Group's CPA accreditation was renewed in February 2015 following a satisfactory audit inspection.

Each of the Group's LBC agreements with NHS Trusts or NHS regions is for a three or five year term. Over the medium term, this area of the business remains dependent upon the successful renewal of such agreements.

As with any commercial contract that is for a fixed term, there is a risk that the customer may not choose to renew with the incumbent provider. The Group takes all steps that it reasonably can to ensure that existing contracts are renewed, subject to agreement of commercial terms, and Source BioScience continues to support and enhance the relationship with NHS partners. There is an ongoing dialogue with the commissioners, NHS Trusts and other stakeholders in support of their requirements of the cervical screening programme.

Over the short to medium term the Board believes that decreasing compliance with the cervical screening programme and a migration toward non-cytology based screening will reduce demand for liquid based cytology by the NHS.

The Group is actively managing its product offering in this area to ensure that it can maintain maximum benefit from this activity whilst LBC remains the screening technology of choice by the NHS Cervical Screening Programme.

Business Review continued

Business Segment Performance Review

LifeSciences

LifeSciences delivered revenue of £7.2 million (2013: £7.6 million) and a divisional operating profit of £1.1 million (2013: £1.2 million).

The reduction in operating profits resulted from market-wide pressure on prices, a shift in the sales mix and further investment in personnel and operational capability to support the Group's ambition to extend its LifeSciences business in the UK and USA.

International investment and expansion

During 2014, the Group has invested significantly in its LifeSciences operational capability, commissioning three additional DNA sequencing facilities in Los Angeles, BioCity Scotland and Tramore. A molecular biology laboratory has also been commissioned in Atlanta to support the expansion of the products business into the US. This increased the number of sequencing laboratories in the Source BioScience network to eight across the UK, Europe and USA and is consistent with the Group's strategy of operating a network of laboratories situated close to major life science research centres.

In parallel the Group has increased its commercial investment to exploit the new markets for the products and services. The US market is seen as the next step in the growth of the Source BioScience business and the necessary investment has been made in infrastructure and people to deliver growth. The US business was launched in April and, whilst it is still relatively early in the development process, it is satisfying to report that the US-based activities are generating significant incremental revenue for the Group.

Sequencing services

Source BioScience is furthering its position as a leading provider of DNA sequencing and the Overnight Service™ continues to power the growth of this business. The number of sequencing reads delivered to customers increased by more than 30% compared with last year and this has been sustained into 2015. This momentum is being maintained by the introduction of new services, the expansion of the laboratory network and continued development of the Source BioScience brand.

LifeSciences products

GenomeCUBE®, the Group's proprietary database and bioinformatics tool for the LifeSciences product portfolio, has undergone further development during the year. These have been aimed at enhancing the utility of the database and ensuring that GenomeCUBE® is configured appropriately to support the Group's comprehensive digital marketing strategy for 2015 and beyond.

The GenomeCUBE® database is a key component of the international growth strategy for the medium to longer term and ultimately all of the Group's products, including LifeSciences and Healthcare products, will be available through this platform. In conjunction with the improvements made to the Company website, e-commerce platform and eShop, this will enable the accelerated globalisation of the products business, providing distributors, and customers, fast and ready access to the Group's product portfolio including antibodies, cDNA clones, serology products and other reagents and biomolecular tools with applications in life science research and healthcare.

The key risks facing LifeSciences together with the Board's approach to managing such risks are set out below:

The Group's technological platforms may be superseded by alternative, superior technologies which may provide enhanced analyses, higher throughput, greater sensitivity, lower cost or other sources of competitive advantage resulting in a reduction in revenue streams.

The Board continually assesses the technologies available and is conscious that, in targeting academic and other research institutions, there is an expectation that the Group is able to provide the latest generation of technology platforms and analyses to support current and future applications for these technologies. Senior staff work in partnership with suppliers and customers to mitigate the risks associated with the introduction of any new technology platform. During the year additional significant investment has been made in the Illumina NextSeq™ next generation DNA sequencing technology and the Group remains one of the leading providers in Europe for next generation sequencing.

The Group's portfolio of products with applications in life science research, including DNA clones and antibodies, may face competition from manufacturers of substitute products that enable new applications, represent new organisms, offer greater specificity or are more competitively priced.

Source BioScience works in close conjunction with quality manufacturers of antibodies and genomic products to ensure that we have access to, and act as distributors for, appropriate genomic reagents and related research tools from a range of model organisms and a range of applications.

The portfolio currently includes more than 20 million DNA clones and 100,000 antibodies. reSource™ the own label product range, provides high quality, cost effective products for life science research, significantly increasing the addressable market for the product portfolio.

After the period end, the Company has launched its new website, superior e-commerce solution and eShop, allowing customers ready access to products and services, as well as scientific and technical support applications, which underpins the comprehensive digital marketing strategy for 2015 and beyond.

The number of sequencing reads delivered to customers has increased by more than 30%

Business Review continued

Business Segment Performance Review

Stability & Bio Storage

The division delivered revenue of £8.0 million (2013: £2.5 million) and an operating profit of £1.6 million (2013: £0.3 million) reflecting the successful integration of Vindon and increased commercial focus.

Stability & Bio Storage services

The Stability & Bio Storage activities are delivered from five sites in Nottingham, Rochdale, Tramore, Atlanta and Los Angeles. At these sites, customers in the biopharma and life science research markets are offered stability storage, ultra-low minus 80 Celsius and cryobank (liquid nitrogen) storage in the cryosuite.

The ability to bring the latest tissue and gene-based analysis technologies to stability and cryobank customers, and *vice versa*, enables the Group to perform downstream analyses at single site, accredited facilities. This significantly de-risks sample handling and specimen transport, which is attractive to pharma and biopharma customers who may only have very limited and extremely valuable samples and specimens. New opportunities with biopharma customers have been crystallised during the year, directly resulting from the enhanced offering of storage in conjunction with laboratory services expertise.

Stability & Bio Storage products

The Group also designs, manufactures and installs a range of high quality, standard and bespoke, controlled environment reach-in and walk-in room systems that provide climatic conditions specified to the customers' requirements. These include meeting the regulatory ICH Tripartite Guidelines for stability storage conditions for biotechnology, pharmaceutical and contract manufacturing customers. These specified conditions simulate the four global climatic zones for long term, intermediate and accelerated stability testing. A number of new products have been launched to meet the demands of biopharma customers, including customers that have traditionally engaged Source BioScience for laboratory services only. These have included minus 25 Celsius walk-in chambers, FDA-approved storage for controlled drugs and ATEX certified cabinets for conducting stability trials which could result in an explosive atmosphere.

Integration of Vindon with the Group

The integration progressed well and to plan. Phase 1 of the integration focused on the operational initiatives of consolidating and restructuring the Group's facilities and this was largely concluded during the first quarter of the year. This included the consolidation of the Group's two Ireland facilities onto a single site in Tramore and the consolidation of the Group-wide warehousing and logistics infrastructure into Rochdale. The operational efficiencies gained from these changes benefitted the Group throughout the year.

Phase 2 comprised the roll out and launch of the enhanced range of laboratory services, including DNA sequencing and molecular biology, across the new sites in Rochdale,

In the majority of cases, stability storage contracts with customers are multi-year arrangements, typically for periods of three years. Cryobank storage agreements can be for substantially longer periods and Source BioScience has a number of contracts lasting 30 years. Accreditation by the relevant authorities is essential in providing services into the highly regulated pharmaceutical, biopharma and contract manufacturing industry. The Group holds Good Manufacturing Practice ('GMP'), Good Laboratory Practice ('GLP') and Good Clinical Practice ('GCP') accreditation and the UK facilities are licensed by the Human Tissue Authority ('HTA') for the secure storage of biological samples.

Tramore, Los Angeles and Atlanta. The Source BioScience US business was launched in April 2014, including Overnight Service™ for DNA sequencing in Los Angeles and molecular biology product despatch from Atlanta, enabling customers to access these products within a timeframe, and at a price, that cannot be matched by distributing the products from the UK. The commercial plans are progressing in line with expectations.

Subsequent to this second phase of initiatives, additional opportunities were identified during the year to further enhance our operational efficiency, laboratory facilities and production capability. These included the transfer of our Scotland-based DNA sequencing service to new, bespoke laboratory facilities at BioCity Scotland and the commissioning of high throughput serology production capability at the Rochdale site along with the installation of "Class A" clean room facilities for serology and blood banking product manufacture. These initiatives were substantially complete at the year end and have been concluded during Q1 2015. The steps taken have provided the flexibility to support the continued growth of the customer base in Scotland and the capacity to deliver on the Board's aspirations for the serology products business. In addition, the specialised LifeSciences laboratory operations were migrated and consolidated from Germany to the UK, enabling the Berlin facility to focus on the delivery of our Overnight Service™ for DNA sequencing.

Phase 3 is a medium term objective to combine the Group's service offerings to leverage the full range of expertise from biomarker identification and clinical trial support to stability storage and downstream laboratory analysis. This will provide a one-stop shop for biopharma, pharmaceutical and contract manufacture customers and is well underway and progressing to plan.

During the year capital expenditure of £1.1 million was invested in the improved infrastructure, laboratory facilities and manufacturing capability.

The key risks facing Stability & Bio Storage together with the Board's approach to managing such risks are set out below:

Stability & Bio Storage revenue can be concentrated on, and dependent on, individual major customers and projects.

It is possible that significant revenue could be derived from a single customer or a single project and failure to meet the minimum quality and service obligations could adversely affect operational and thereby financial performance. During the year the Group has successfully continued the diversification and growth of the customer base and has increased the number of projects undertaken, broadened the nature of those projects and increased the number of customers.

Reliance on a limited number of key suppliers.

The potential for delays and bottlenecks at key suppliers could delay installation of equipment and a lack of supplier competition could potentially raise manufacturing input costs. Steps have been taken to move away from single sourcing of key materials and components to dual or multi sourcing. The design of much of the environmentally controlled storage equipment has facilitated the use of widely available components.

International logistics and bespoke management information enable flexibility and scalability; over 1,200 storage trials in progress at the year end

Business Review continued

Business Segment Performance Review

Central Resources

Central Resources include facilities, key support functions such as finance, human resources and management information services in addition to the Group Board. Other costs disclosed centrally include insurances, legal, professional and advisory fees and investor relations.

Central costs have decreased by £1.0 million to £4.3 million (2013: £5.3 million). A significant element of the decrease is attributable to the reduction in non-recurring costs which were £0.8 million, compared with £2.3 million during 2013.

Over the same period revenue has increased to £25.2 million and central costs (after adjusting for the non-recurring items) represented 14% of revenue (2013: 15% of revenue). Central costs will remain closely monitored and tightly controlled.

The key risks in this area of the business together with the Board's approach to managing such risks are set out below:

Source BioScience is subject to a significant number of regulatory frameworks, and ongoing changes to existing frameworks, such as IFRS, the UK Corporate Governance Code, the Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority, company law and new regulations for Audit and Remuneration Committees and associated disclosures. There is also increasing regulatory burden in areas such as health and safety, employment law and data protection. In addition, there is a requirement to invest in information technology to protect and improve the business.

In order to comply with these requirements, Source BioScience has devoted significant resources to fulfilling these obligations, receiving guidance from external advisors where applicable and appropriate. Shareholders (and their advisors) can find information and resources that they need for interacting with us and for carrying out their various obligations under the FCA Listing Rules, Prospectus Rules and Disclosure and Transparency Rules.

Geographic Performance

During the year focus has continued on activities and operations predominantly in the UK but increasingly in Ireland and the USA.

The Group generated revenue of £25.2 million (2013: £19.5 million) of which £5.0 million was derived from overseas customers (2013: £3.7 million). The reasons for this growth in revenue are as described in this Business Review.

Financial Review

Financial performance

Group revenue increased by 29% to £25.2 million (2013: £19.5 million).

Owing to the operational gearing generated within the laboratory and production infrastructure, coupled with close management of the cost base, gross margins improved to 48% (2013: 46%). In the current economic environment with constant pressure on prices and rising input costs, the Board believes this represents an encouraging performance. Normal administrative expenses decreased as a percentage of revenue to 26% (2013: 27%) and ongoing administrative expenses are largely fixed and appropriate to the increasing scale of the business.

Adjusted* operating profit for the year was £2.6 million (2013: £1.4 million) after adjusting for non-recurring costs of £0.8 million (2013: non-recurring costs of £2.3 million in aggregate, comprising acquisition costs of £1.2 million and post-acquisition restructuring costs of £1.1 million). On an unadjusted basis the reported operating result for the year was a profit of £1.8 million (2013: £0.9 million loss).

Adjusted* profit before tax was £2.2 million (2013: £1.2 million) which was in line with expectations.

Included in the Consolidated Statement of Comprehensive Income are non-cash items, including depreciation, amortisation and share option costs, of £2.5 million (2013: £1.9 million). After accounting for these non-cash items, non-recurring restructuring costs, net finance expense and taxation, adjusted* EBITDA increased by 54% to £5.1 million (2013: £3.3 million).

Financial position

At 31 December 2014 the Group had net assets of £25.4 million (2013: £24.4 million). Non-current assets decreased by a net £1.5 million to £29.6 million (2013: £31.1 million). The movement included £1.6 million of capital expenditure offset by an aggregate £2.4 million of depreciation and amortisation and a reduction of £0.5 million in the deferred tax asset. At 31 December 2014 the Group had aggregate debt of £6.9 million (2013: £9.2 million). This debt represents the banking facility secured to part-fund the acquisitions in 2013 and has been reduced during the year by scheduled repayments totalling £2.3 million.

Cash flows and liquidity

Cash generated from operations was £2.8 million (2013: £2.4 million) and net cash flow for the year was an outflow of £1.5 million (2013: inflow of £1.9 million including the debt and equity fund raising).

It should be noted that cash generated from operations of £2.8 million is stated after the payment during the year of £1.2 million attributable to non-recurring expenditure relating to both the 2014 and the 2013 restructuring exercises.

The Group invested £1.6 million (2013: £1.6 million) in capital expenditure including £1.3 million on new laboratory infrastructure and facilities and £0.3 million on enhanced IT and laboratory information management platforms.

The financing cash outflow was £2.3 million on debt principal repayments in addition to £0.4 million of interest paid (2013: £0.2 million).

The Group's cash balance was £2.6 million as at 31 December 2014 (2013: £4.2 million) and net debt was £4.3 million (2013: £5.0 million).

Treasury and foreign exchange policy

The Group has significant costs and revenue arising in both US Dollars and Euros and is therefore exposed to movements in exchange rates. To protect cash flows against a high level of exchange risk, the Group may adopt a number of mechanisms to mitigate the risk including making treasury deposits in foreign currencies and entering into forward exchange contracts to hedge foreign exchange exposures arising from forecast payments.

The Group has substantial cash resources and also operates significant banking facilities. The objective of the Group's treasury policy is to manage cash flows and banking, money market and capital market transactions with the aim of guaranteeing absolute capital security whilst securing the most favourable interest rates available commensurate with the risk. Liquidity is a key consideration, and a rolling programme of short and long term (up to one year) investments, enabling access to maturing cash as required, may be adopted.

The Group's treasury policy is also to provide protection against fluctuating interest rates by utilising fixed rate financial products where appropriate. At 31 December 2014, the Group had external borrowings of £6.9 million (2013: £9.2 million), including £6.8 million (2013: £8.8 million) of bank loans at variable rates, of which £1.5 million (2013: £2.0 million) have been fixed through the use of an interest rate swap, and £0.1 million (2013: £0.3 million) of finance lease liabilities at fixed interest rates.

People and work environment

Source BioScience's people are critical to its success. In addition to ensuring the highest quality laboratory facilities and technology platforms, the Board is also mindful to ensure that

the Group recruits and retains the highest calibre individuals. To support the commercial aspirations and initiatives, a number of which are highlighted above, the Company recruited an experienced Marketing Director during the year.

The Board will continue to invest to ensure that the Company has the best people in place, and a skilled and experienced senior management team, to support the planned growth and expansion of the business across all of its activities and its international markets.

Source: Company data/audited financial statements

*Adjusted results are stated after eliminating non-recurring restructuring costs of £0.8 million (2013: after eliminating £2.3 million of acquisition costs and post-acquisition restructuring costs). The adjusted results have been included to present a fair comparison of the progress in the underlying business.

Business Review continued

Business Segment Performance Review

As at 31 December 2014 the Group had a total of 177 employees (31 December 2013: 190 employees) including Directors.

The following table sets out a breakdown by gender showing at 31 December 2014 (i) the number of persons who were Directors of the Company; (ii) the number of persons who were senior managers of the Group (other than persons falling within sub-paragraph (i)); and (iii) the number of persons who were employees of the Group.

	Number of men	%	Number of women	%
Directors	4	67	2	33
Senior Managers	5	71	2	29
Employees	93	53	84	47

The Board believes that employees require a work environment which is safe, encourages communication and is efficient in terms of the of the Group's working practices.

The Board also considers that a focus on health and safety is an essential component of the Group's business success. Source BioScience is committed to providing a safe environment for its employees and visitors and has a clear Health and Safety Policy. The Board and senior management team receive regular reports from the Health and Safety Committee and prompt action is taken where appropriate. There have been no incidents at any of the Group's sites during the year which have required reporting to the Health and Safety Executive.

Key business and corporate relationships

Source BioScience's business is dependent upon a number of key business relationships developed by employees and with external organisations and individuals. The Board strives to operate the business in an ethical manner and this is made clear in the expectations of employees, advisors and other business partners.

The key customer relationships for the Healthcare business are with those NHS Trusts or groups of Trusts who are services and products customers. The key customer relationships within LifeSciences are academic institutions throughout Europe and the USA in addition to government and charitably funded research institutions such as the Research Councils UK. In addition, this division has relationships with a broad spectrum of national and international biotechnology and pharmaceutical companies. The key customer relationships for the Stability & Bio Storage business are top-tier pharmaceutical companies and a broad spectrum of national and international biopharma and biotechnology companies.

The Group's principal corporate relationships and advisors include N+1 Singer LLP (financial advisor, sponsor and broker); Browne Jacobson LLP (legal advisor); KPMG LLP (auditor and tax advisor) and Royal Bank of Scotland plc (banking and treasury).

Environmental, social and community

The Board believes that the direct impact of Source BioScience's business upon the environment is relatively low. Source BioScience remains committed to raising awareness of environmental issues which affect our business and minimising the impact of our activities upon the environment.

In line with UK mandatory reporting requirements as set out under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, the Directors' Report includes a greenhouse gas ('GHG') emissions report.

Source BioScience aims to conduct its business activities in a socially responsible manner, maintaining integrity and professionalism in dealing with the requirements of investors, employees, suppliers and the local community. The Group has a Corporate and Social Responsibility Officer who reports directly to the Board on these matters and oversees conduct in accordance with the Corporate and Social Responsibility Policy.

Information on key performance indicators

This Business Review includes eight KPIs which are viewed by the Board as being important factors by which the progress of the Group can be measured, which have been prepared on a consistent basis in accordance with Section 417 of the Companies Act 2006, unless otherwise indicated against the relevant KPI chart.

Outlook

We are seeing growth across all three divisions which is in line with the strategic plan implemented for the Group.

Healthcare

Healthcare has delivered strongly in the period, driven by continued growth from the diagnostic services activities, particularly in core cancer diagnostics and companion diagnostics, in addition to DNA-based testing for sexually transmitted infection. Capacity and capability constraints faced by the NHS can be met by the Group's ability to address both short and long term demand, with rapid turnaround times. Source BioScience is already a valued partner for outsourced diagnostic services and speciality products and the intention is to enhance this status with the continued introduction of new diagnostic services and products alongside migrating cancer diagnostic expertise into other disease areas.

The commissioning of high throughput serology production capability at the Rochdale site, along with the installation of "Class A" clean room manufacturing facilities for serology and blood banking products, supports the next stage in accelerating the growth of the Group's serology business.

LifeSciences

In LifeSciences, the Company has forged a leading position in Europe for the provision of DNA sequencing services and genomic products and the ambition is to replicate this in the USA. With an international network of laboratories, Source BioScience is ideally placed to meet the growing demand for genetic analysis. The Group's intention is to continue to grow its European market for DNA sequencing and drive marketing efforts in the US for the Overnight Service™, following its launch in Los Angeles.

The commissioning of a molecular biology laboratory at the Atlanta facility during the year, coupled with further enhancements to the Company website, e-commerce platforms and GenomeCUBE®, are further steps in the long term strategy to exploit the potential of the product portfolio in the US and other geographic markets.

Stability & Bio Storage

Significant attention has been focused in the year on aligning the new Stability & Bio Storage division with the rest of the Group. Major changes were made to the environmental storage suites and laboratory infrastructure to improve efficiency and allow for greater flexibility and scalability of operations. At the same time commercial initiatives to align the diagnostic laboratory services

with the stability storage capabilities were rolled out during the second half of the year, supported by a considerably strengthened marketing function.

In the Board's view, there are significant opportunities to align expertise in laboratory testing with storage service customers, particularly biopharma and contract manufacturer customers. Bringing the latest tissue and gene-based analysis services and technologies to storage customers will enable the Group to perform downstream analysis at single site, accredited facilities. This significantly de-risks the process for customers as many of the samples handled by the Group represent unique and invaluable biological resources.

The Board is confident that each of the factors outlined above will contribute to the continuing progress of the Group in 2015 and beyond.

Conclusion

The Group has robust strategies in place to generate attractive levels of organic growth, as has been demonstrated over recent years.

The acquisitions made during 2013 opened up significant opportunities to the Group, both from additional services and products as well as extending the Group's international reach. Source BioScience is now accessing new customers in new markets and has established a solid platform for further growth on both the East and West coasts of the USA. The launch of the Source BioScience US business during 2014 was a critical milestone on the road to exploiting the potential of the US markets.

The investment made in the laboratory facilities and production capability in the year has delivered efficient and scalable infrastructure, employing common technologies and processes, which support the Company's aspirations and strategy for continued growth.



Dr Nick Ash
Chief Executive Officer
28 April 2015

The Board of Directors

Executive Directors

A

Dr Nick Ash (age 45)
Chief Executive Officer

Nick joined Source BioScience in 2005 as CFO, becoming CEO in 2007. Nick oversaw the restructuring of the Group in 2006, determining and implementing the strategy to deliver the Group's current activities. He has led the expansion of the Group through acquisitions and organic growth, investing in the technologies and expertise necessary to deliver the Group's business plan, creating a profitable and cash generative business. Nick is a Chartered Accountant and holds a PhD in Mycology. Prior to joining Source BioScience, he was Finance Director at a regional airline and spent nine years with KPMG.

A

Dr Nick Leaves (age 47)
Chief Operating Officer

Nick joined the Company in 2007, becoming a Board member in 2008. Nick was a co-founder of Geneservice Limited in 2005 via a management buyout from the Medical Research Council ('MRC'). Prior to this, Nick worked for over ten years in complex genetics and genomics; first for Oxford University on asthma and eczema gene-hunting projects and then for the MRC in Cambridge on the mouse genome project. Nick qualified as a microbiologist and worked in the NHS completing a PhD on the molecular methods used to characterise outbreaks of bacterial meningitis.

A

Mr Tim Metcalfe (age 45)
Group Finance Director

Tim joined the Board in September 2014. He is an experienced financial professional and has held senior roles in both private and listed companies, in the retail, manufacturing and IT sectors. Prior to joining Source BioScience, Tim was Group Finance Director at TFM Networks, a provider of telecoms and data management solutions. Tim holds a BA (Hons) in History from Nottingham University and qualified as a Chartered Accountant in 1995, spending twelve years with KPMG prior to moving into industry.

Non-Executive Directors

B | C | D

Mr Laurie Turnbull (age 65)
Chairman and Chairman of the
Audit Committee

Laurie was appointed Chairman in 2006 and has extensive experience in a senior capacity in both public and private companies. Laurie has enjoyed a 30 year career as a CEO and senior executive. Former Chairman of the venture capital company Texas Group plc, he was responsible for numerous acquisitions and flotations. He has served on the boards of several listed companies in executive and non-executive capacities and has considerable experience in M&A. Laurie is currently a Trustee of the charitable organisation Develop Youth Through Sports Trust.

B | C | D

Dr Sue Foden (age 62)
Senior Non-Executive Director
and Chairman of the
Remuneration Committee

Sue has a background in the field of biotech and healthcare and holds a number of non-executive positions with public and private companies. She is Chair of BerGenBio AS and Cizzle Biotech Ltd, holds non-executive roles with Vectura Group plc, Evgen Ltd and BTG plc and is an advisory board member for CD3 (a joint initiative between Leuven University and the EIF). Previously Sue was an Investor Director with the venture capital firm Merlin Biosciences, CEO of Cancer Research Campaign Technology Ltd and Head of Academic Liaison at Celltech Ltd. She has an MA and DPhil from the University of Oxford.

Mrs Pam Liversidge OBE (age 65)
Non-Executive Director

Pam joined the Board in 2014. Pam is a Chartered Mechanical Engineer and Fellow of the Royal Academy of Engineering with over 30 years' experience in the manufacturing and engineering industries. She has significant experience in senior leadership roles across a broad spectrum of companies and other organisations including Chesterfield Royal Foundation Trust Hospital and Sheffield Hallam University. Pam was the first woman to be elected as President of the Institution of Mechanical Engineers and as Master of the Company of Cutlers in Hallamshire.

A Member of the Senior Management Team

B Member of the Audit Committee

C Member of the Remuneration Committee

D Member of the Nomination Committee

Directors' Report

The Directors present their Annual Report and Accounts on the affairs of the Group, including the financial statements and auditor's report for the year ended 31 December 2014.

Strategic Report

The Directors have presented their Strategic Report on pages 6 to 23, which contains (a) a fair review of the Group's business, and (b) a description of the principal risks and uncertainties facing the Group. The review is intended to be a balanced and comprehensive analysis of (a) the development and performance of the Group's business during the financial year, and (b) the position of the Group's business at the end of that year, consistent with the size and complexity of the business. The review includes, to the extent necessary for an understanding of the development, performance or position of the Group's business, analysis using financial key performance indicators. As Source BioScience holds a premium listing on the Main Market of the London Stock Exchange, the Strategic Report also, to the extent necessary for an understanding of the development, performance or position of the Group's business, includes (a) the main trends and factors likely to affect the future development, performance and position of the Group's business and (b) information about (i) environmental matters (including the impact of the Company's business on the environment), (ii) the Company's employees, and (iii) social and community issues, including information about policies of the Company in relation to those matters and the effectiveness of those policies. This Directors' Report should be read in conjunction with the Strategic Report.

The Strategic Report was approved by the Board of Directors on 28 April 2015.

Results and dividends

Revenue for the year was £25.2 million (2013: £19.5 million). The Directors do not propose the payment of a dividend (2013: £nil).

Directors and their interests

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

Executive Directors

Dr Nick Ash, Chief Executive Officer
Dr Nick Leaves, Chief Operating Officer
Mr Tim Metcalfe, Group Finance Director (appointed 4 September 2014)
Mr Rob Bakewell, Finance Director (resigned 4 September 2014)

Non-Executive Directors

Mr Laurie Turnbull, Chairman
Dr Sue Foden, Senior Independent Director
Mrs Pam Liversidge (appointed 3 July 2014)

Biographical details of the Directors are given on pages 24 to 25.

Under the Company's Articles of Association, the longest serving Director at each Annual General Meeting shall retire from office. Accordingly, Dr Leaves will retire by rotation and, being eligible, offer himself for re-election at the next Annual General Meeting. Mr Metcalfe will offer himself for election, the next Annual General Meeting being the first since his appointment on 4 September 2014 (for biographical details, please see page 24). Mrs Liversidge will offer herself for election, the next Annual General Meeting being the first since her appointment on 3 July 2014 (for biographical details, please see page 25).

Dr Foden, Senior Independent Non-Executive Director, will be entering her twelfth year on the Board. The Chairman confirms that, following formal performance evaluation, Dr Foden's performance continues to be independent, effective and to demonstrate commitment to the role, supported by very strong connections with the medical and health research communities. To apply best practice, Dr Foden offers herself for re-election at the next Annual General Meeting and will be subject to annual re-election thereafter.

No contract existed during the year, or at the year end, in which any Director of the Company was interested, other than service contracts.

None of the Directors have a service contract with the Company requiring more than twelve months' notice of termination to be given. The details of the Directors' contracts are provided in the Directors' Report on Remuneration on pages 48 to 50.

The interests (including the interests of their immediate families and persons connected with the Directors) of the Directors who held office during the year in the ordinary shares of the Company at 28 April 2015, 31 December 2014 and 1 January 2014 were:

	Beneficial Holding		
	28 April 2015 Number of shares	31 December 2014 Number of shares	1 January 2014 Number of shares
Executive Directors			
Dr Nick Ash	500,000	500,000	500,000
Dr Nick Leaves	1,028,557	1,028,557	1,028,557
Mr Tim Metcalfe (appointed 4 September 2014)	-	-	-
Mr Rob Bakewell (resigned 4 September 2014)	n/a	n/a	100,000
Non-Executive Directors			
Mr Laurie Turnbull	4,750,000	4,850,000	4,450,000
Dr Sue Foden	244,340	244,340	244,340
Mrs Pam Liversidge (appointed 3 July 2014)	-	-	-

The Directors' interests in share options are set out in the Directors' Report on Remuneration on pages 56 to 57.

Substantial shareholdings

At the date of preparing this Report, the Company had been notified of the following interests of 3% or more in the Company's ordinary share capital:

	Number of shares	Percentage of Ordinary share capital
Henderson Global Investors	60,142,788	19.18
Oryx International Growth Fund	41,767,620	13.32
Artemis Investment Management	35,003,000	11.16
Seren Capital Management	28,869,315	9.21
Legal & General Investment Management	21,450,000	6.84
Blackrock Investment Management	13,700,000	4.37
Hargreave Hale	10,718,000	3.42

Share capital

The Company has in issue only one class of ordinary share. The Directors were authorised at the last Annual General Meeting to allot and issue ordinary shares up to a nominal amount representing up to 33% of the Company's existing issued share capital.

Details of the movements in share capital are given in note 22 to the consolidated financial statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at the registered office at 1 Orchard Place, Nottingham Business Park, Nottingham NG8 6PX at 10.30am on 11 June 2015. All ordinary and special resolutions to be proposed at that meeting are detailed in the Notice of Annual General Meeting sent to shareholders (see also pages 103 to 115 of this document).

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.

Directors' Report continued

Going concern

Information on the business environment Source BioScience operates in, including the factors underpinning the markets' growth prospects, are included in the Business Review on pages 10 to 23.

The financial position of the Group, its cash flows and liquidity position are also described in the Business Review. In addition, the Business Review describes the Group's policies and processes for managing its treasury and foreign exchange risk. Further details of the Group's cash balances and borrowings are included in notes 17 and 19.

The Group has significant financial resources available. As at 31 December 2014, the Group had cash balances of £2.6 million (2013: £4.2 million) with £2.2 million external debt (2013: £2.3 million) due within one year. In the year ended 31 December 2014 the Group generated cash from operations of £2.8 million (2013: £2.4 million). The Group has a wide diversity of customers and suppliers across the healthcare, life sciences and biopharma sectors and, in the short term at least, demand for the Group's products and services is relatively unaffected by changes in the global economy. In accordance with the guidance for Directors of listed companies 'Going Concern and Financial Reporting' and, after making appropriate enquiries, the Directors have a reasonable expectation that the parent company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Greenhouse gas emissions

In line with UK mandatory reporting requirements as set out under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, set out below is our greenhouse ('GHG') emissions report.

Source BioScience uses comparatively large amounts of electricity to maintain a range of environments in Stability and Bio Storage services, and also maintains a large ultra-cold storage facility for our Life Science products.

The data reported here, in metric tonnes of carbon dioxide emitted (mtCO₂e), will be used as baseline data for future comparisons of GHG emissions and is also shown indexed to 2014 Group revenue.

	Total GHG (mtCO ₂ e)		Indexed GHG (mtCO ₂ e / £1m revenue)	
	2014	2013	2014	2013
Emissions*				
Scope 1: fuels, including natural gas and that used in company owned vehicles for business miles, and refrigerants	155.1	102.0	6.1	5.2
Scope 2: electricity usage both in the UK and overseas	1519.0	830.7	59.5	42.5

Increases year on year are attributable to the activities of the enlarged Group.

* Emissions include those from all existing Source BioScience sites with the exception of our Oxford DNA sequencing laboratory which is fully hosted by the University of Oxford and electricity usage is unmetered, and our Scottish DNA sequencing laboratory which is fully hosted by BioCity Scotland and electricity is unmetered. Department for Environment Food and Rural Affairs (DEFRA) conversion factors were used to convert energy use to GHG (<http://www.ukconversionfactorscarbonsmart.co.uk>).

Research and development

In order to further the Group's business objectives, it engages in research and development projects. During 2014, the nature of this research and development was primarily focused on the development of diagnostic techniques for cancer and other therapeutic areas; methodologies for the extraction and analysis of genomic material from fully consented clinical specimens and the development of software products designed for both internal use and use by third parties. Dr Foden and Professor Ellis (Medical Director and member of the senior management team) have very strong connections with the medical and health research community.

Total research and development expenditure in the year was £158,000 (2013: £48,000).

Employees 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 Source BioScience is committed to ensuring that everyone should have the same opportunities for employment and promotion based on their ability, qualifications and suitability for the work in question; seeking excellence in employees through the implementation of recruitment, incentivisation, performance review, development and promotion processes that are fair to all; and capitalising on the added value that diversity brings. Discrimination in the workplace on the basis of age, gender, disability, ethnic origin, nationality, sexual orientation, gender reassignment, religion or belief, marital status and pregnancy and maternity is considered to be unacceptable.

Charitable and political donations

The Group made a charitable donation of £6,000 during the year (2013: £1,000), and no political donations (2013: £nil). As part of its corporate and social responsibility activities, which the Group considers an important element of modern business, and as a means of promoting sporting activity and academic achievement among young people, Source BioScience continues to support local schools with the provision of free football kits, and more recently laboratory coats. Some of these schools have also enjoyed a science-based visit to the head office facilities, as part of their school curriculum activities.

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 2014 was 59 days (2013: 70 days).

Contractual relationships or other arrangements

The Group has a number of significant agreements with customers and suppliers. However none of these are considered to be critical to the Group. The bank loans taken out for the purposes of the acquisition of Vindon (September 2013), include change of control provisions.

Financial risk management

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

Bribery Act

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

Disclosure of information to auditor

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

Fair, balanced and understandable

The Directors consider that this 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.

Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Corporate Governance

The Corporate Governance Statement on pages 30 to 32 forms part of the Directors' Report.

By order of the Board



Dr Nick Ash

Company Secretary
1 Orchard Place
Nottingham Business Park
Nottingham NG8 6PX
28 April 2015

Corporate Governance Statement

Principles statement

The Board of Directors as a whole is collectively accountable to the Company's shareholders for good corporate governance and is committed to achieving compliance with the principles of corporate governance set out in the 2012 UK Corporate Governance Code as issued by the Financial Reporting Council ('FRC').

The Board is pleased to report full compliance with the UK Corporate Governance Code for the year ended 31 December 2014 and set out below is a statement of how the principles were applied.

Board of Directors

Board responsibilities

The Group is controlled through its Board of Directors. The Board's main responsibilities are to provide leadership of the Company and Group within a framework of controls for managing risk, to approve the strategic objectives and to ensure the necessary financial and other resources are made available to enable the Group to meet those objectives. The Board, which meets approximately ten times a year, has a schedule of matters reserved for its approval.

Specific responsibilities reserved to the Board include:

- setting Group strategy and approving an annual budget and medium term projections
- reviewing operational and financial performance
- approving major acquisitions, divestments and capital expenditure
- reviewing the Group's systems of financial control and risk management
- ensuring that appropriate management development and succession plans are in place
- reviewing the quality management, environmental and health and safety performance of the Group
- approving appointments to the Board, appointment of the Company Secretary, policies relating to Directors' remuneration and the severance of Directors' contracts
- ensuring that a satisfactory dialogue takes place with shareholders and
- approval of interim and annual financial statements

Board composition

The Board of Directors currently comprises three Executive and three Non-Executive Directors. Biographical details of the Board of Directors are set out on pages 24 to 25.

The roles of Chairman and Chief Executive Officer are separate and this is documented and reviewed annually. The Chairman is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda. It is the Chief Executive Officer's responsibility to ensure delivery of the strategic and financial objectives.

Between them, the Directors have a considerable breadth of experience and a range of complementary skills. Each brings an independent judgement to bear on matters of strategy, performance, research and development, resources and standards of conduct.

Appropriate training and resources are made available to assist the Directors in the discharge of their duties and each has access to the advice and services of the Company Secretary. All Directors have access to independent professional advice at the expense of the Company, where they deem it necessary to discharge their responsibilities as Directors. Each Director receives a full and tailored induction on joining the Board.

Board papers contain sufficient information to enable the Directors to form a balanced overview of all significant matters to be considered. Such papers are prepared and distributed in advance of the meetings at which these matters are to be discussed.

Board and Committee meetings

The number of full scheduled Board and Committee meetings and the attendance records of each Director during the year is indicated below.

	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
Number held	10	3	2	1
Number attended				
Mr Laurie Turnbull	10	3	2	1
Dr Nick Ash	10	—	—	—
Dr Nick Leaves	10	—	—	—
Mr Tim Metcalfe ¹ (appointed 4 September 2014)	4	—	—	—
Dr Sue Foden	10	3	2	1
Mrs Pam Liversidge ² (appointed 3 July 2014)	5	—	—	—
Mr Rob Bakewell (resigned 4 September 2014)	6	—	—	—

— Indicates not a member of that Committee during 2014

1 became a member upon appointment to the Board in September 2014

2 became a member upon appointment to the Board in July 2014

Commitment of the Chairman

Details of the Chairman's professional commitments are included in his biography. The Board is satisfied that these other commitments are not such as to interfere with the performance of his duties as Chairman of the Company which are based around a commitment of approximately 50 days per annum.

Independence of Non-Executive Directors

The Board considers each of the Non-Executive Directors to be independent in character and judgement, none of whom:

- has been an employee of the Group within the last five years
- has, or has had within the last three years, a material business relationship with the Group
- receives remuneration other than Director's remuneration
- has close family ties with any of the Group's advisors, Directors or senior employees
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies or
- represents a significant shareholder
- in addition, Mr Turnbull has not served on the Board for more than nine years from the date of his first election
- Dr Foden was appointed to the Board in 2003 and has served eleven years since the date of her first election. To apply best practice, she will offer herself for re-election at the next Annual General Meeting and annually thereafter as described on page 26

Evaluation of the Board and its Committees

The Board has established a formal process, led by the Chairman, for the annual evaluation of the performance of the Board, its principal Committees and individual Directors. The Senior Independent Non-Executive Director conducts the annual performance evaluation of the Chairman, taking into account the views of all Directors.

Dialogue with key shareholders

The Directors seek to build on a mutual understanding of objectives between the Group and its key shareholders, in particular by communicating regularly throughout the year and encouraging them to participate in the Annual General Meeting, which all the Directors normally attend. The Non-Executive Directors are available to meet with shareholders, should this be desired, and each communicates regularly with the Group's financial advisor and broker. The Chairman ensures that the views of shareholders are communicated to the Board as a whole.

The Board has made disclosures regarding the Group's strategy, objectives, resources, risks and financial performance and position within the Business Review as set out on pages 10 to 23.

Corporate Governance Statement continued

Committees of the Board

Certain Board responsibilities are delegated to Committees of the Board.

Senior Management Team

The senior management team comprises the Executive Directors together with the divisional and functional heads. The senior management team is chaired by Dr Ash and normally meets once a month to discuss the performance of the Group's business units and other issues as they arise in the course of the Group's activities.

The Board has delegated the following responsibilities to the senior management team:

- implementation of the strategies and policies of the Company as determined by the Board
- development and recommendation of strategic plans for consideration by the Board that reflect the longer term objectives and priorities established by the Board
- monitoring of the operational and financial results against plans and budgets
- prioritising the allocation of financial, technical and human resources and
- developing and implementing risk management systems

Audit Committee

The work of the Audit Committee is addressed in more detail on pages 33 to 36 by its Chairman, Mr Turnbull.

Remuneration Committee

The work of the Remuneration Committee is addressed in more detail on page 51 by its Chairman, Dr Foden.

Nomination Committee

Source BioScience recognises the importance of diversity in the board room and currently has Dr Sue Foden as its Senior Independent Non-Executive Director. Mrs Pam Liversidge was appointed to the Board as a Non-Executive Director during the year. The importance of achieving an appropriate gender balance throughout the Group is also recognised; the senior management team currently comprises ten members, two of whom are women.

The Nomination Committee has not set, and does not intend to set, a specific target for the number of female members on the Board and wish to continue to appoint the best candidate available for any particular role. However, in setting the criteria for selection of candidates, for both executive and non-executive roles, the Group is conscious that it is possible to inadvertently discourage the successful candidacy of women and intends to bear this in mind for all future appointments and to continue to have regard to the benefits of diversity, including as to gender.

Role of the Nomination Committee

The Nomination Committee recommends the appointment of new Directors to the Board and makes recommendations on Board composition and balance. The Nomination Committee meets as often as necessary to fulfil this function.

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, balance of skills and composition and to make recommendations to the Board with regard to adjustments that are deemed necessary
- consider succession planning for Directors, in particular the Chairman and Chief Executive Officer, other senior management and membership of Audit and Remuneration Committees and
- prepare a description of the roles and capabilities required for a particular appointment, and be responsible for identifying and nominating candidates for approval of the Board to fill Board vacancies

Composition of the Nomination Committee

The Nomination Committee comprises Dr Foden (Committee Chairman) and Mr Turnbull.

Audit Committee Report

Laurie Turnbull Non-Executive Director and Chairman 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 Committee comprises the two independent Non-Executive Directors, Mr Laurie Turnbull (Chairman of the Committee) and Dr Sue Foden who, collectively, have the skills and experience required to fully discharge their duties. Mr Turnbull meets the requirements of recent and relevant financial experience.

The Chief Executive Officer and Group Finance Director also generally join at least part of Audit Committee meetings by invitation.

The Committee Chairman may call a meeting at the request of any member or 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 of formal Committee meetings.

The Audit Committee meets at least three times a year. 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. It is responsible for monitoring and reviewing:

- the integrity of the Group's financial statements and any formal announcements relating to its financial performance
- the Group's internal financial controls and internal control and risk management systems
- the effectiveness of the external audit process and making recommendations to the Board on the appointment, re-appointment and removal of the external auditor
- policy on the engagement of the external auditor to supply non-audit services
- taking specific responsibility for certain key areas of risk management to support the Board's role in overseeing a business wide approach to risk identification, management and mitigation

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.

Audit Committee Report continued

Activities during 2014

The Audit Committee met on three occasions during 2014. The meetings of the Committee coincided with key dates in the financial reporting and audit cycle. The external auditor, KPMG LLP, attended two of the meetings.

The Audit Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements and half year report 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
- 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 the proposed audit fee
- reviewing an annual 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
- reviewing the arrangements by which staff of the Company 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 half year and annual results statements and the Annual Report prior to their consideration by the Board.

Reports highlighting key accounting matters and significant judgements were also received from KPMG LLP in respect of the year end financial statements and discussed by the Committee. In particular, these included the significant judgement areas of the impairment of goodwill and revenue recognition.

Impairment of goodwill

Under IFRS, goodwill arising on acquisitions is tested for impairment at each reporting date based on projected cash flows discounted to calculate their net present value. Details of the assumptions used in these valuations are set out in note 9 on pages 83 to 84.

The Committee examined the cashflow projections for each of the Group's cash generating units and reviewed the discount rates used in the calculations. Each of these components were discussed with KPMG LLP. The Committee concluded that with increasing profitability forecast for each of the cash generating units, there was headroom in the impairment test valuations and was therefore comfortable that no impairment was required.

Revenue recognition

The Group has multiple income streams and for a number of the services the Group offers, payment may be received from customers in advance of the service being delivered. For example, this is the case for the Group's DNA sequencing service where a significant number of customers elect to purchase pre-paid DNA sequencing vouchers which they can redeem to access the Group's sequencing service at a date in the future. Under IFRS, revenue should be only recognised when the service is delivered and this may be after payment has been received, for example when the customer has purchased pre-paid vouchers. Owing to the significant number of pre-paid vouchers sold, and the significant number of individual transactions arising from the service, an assessment is made every month of the rate of voucher redemptions and the likely rate of future voucher redemption and non-redemption. This assessment is based on significant transactional history dating back a number of years. This enables management to estimate the quantum of the deferred income creditor that should be accounted for as a liability and the revenue that can be recognised from voucher redemptions and anticipated non-redemptions. The Committee has examined the estimates used in the calculations and discussed these with KPMG LLP. The Committee concluded that the estimates used, based on historic activity and assumptions as to future customer activity, were reasonable and concluded that revenue is recognised appropriately.

Analysis to support the going concern statement given on page 28 was also reviewed with the Committee receiving reports from management on this matter.

Following consideration of the matters presented to it and discussion with both management and KPMG LLP, the Committee was satisfied that the significant judgements made were justified and that the financial reporting disclosures made were appropriate.

External auditor

Audit and non-audit fees

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. It has developed and implemented a policy on the supply of non-audit services by the external auditor to ensure their continued objectivity and independence. The Committee is satisfied that the provision by KPMG LLP of non-audit services currently provided does not impair their independence or objectivity.

The Audit Committee has approved the range of services that may be provided by the external auditor. These include taxation compliance services and transaction due diligence advisory services on projects. Subject to approved authorisation limits, the services require prior authorisation from either the Chief Executive Officer or the Chairman of the Audit Committee or the full Audit Committee. The Committee is satisfied that the majority of the tax services supplied by KPMG LLP during the year were compliance related and did not impair their independence.

During 2014 the fees for non-audit services amounted to £54,000 compared with the audit fee of £76,000.

Auditor independence

The Committee received and reviewed written confirmation from the external auditor on all relationships that, in their judgement, may bear on their independence. The external auditor have also confirmed that they consider themselves independent within the meaning of UK regulatory and professional requirements.

The UK Corporate Governance Code has recommended that companies in the FTSE 350 index put their external audit contract out to tender at least every ten years. The Committee has considered this recommendation and, to adopt best practice, it has recommended to the Board that the external audit contract be put out to tender when the current audit partner is due to rotate out of the post in 2017. Mindful of Financial Reporting Council advice on the impracticality of all companies conducting a tender exercise at the same time, the precise timing of this exercise will be kept under review and may, indeed, be conducted at any time prior to 2017.

Performance and effectiveness

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 KPMG LLP should be appointed as the Company's external auditor for the next financial year. Following this recommendation, the Board is proposing what effectively amounts to the re-appointment of the external auditor to shareholders at the Annual General Meeting.

Audit Committee Report continued

Internal control and risk management systems

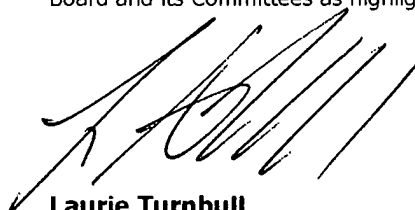
In applying Principle C.2 of the UK Corporate Governance Code, which states that the Board should maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets, the Directors recognise that they have overall responsibility for ensuring that the Group maintains 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 opportunities is a key element of all activities.

The Directors have continued to review the effectiveness of the Group's system of internal controls, including strategic, commercial, operational, compliance and financial controls and risk management systems. These reviews have included an assessment of internal controls, and in particular internal financial controls, management assurance of the maintenance of control and reports from the external auditor on matters identified in the course of its statutory audit work. The Directors believe that the Company maintains an effective embedded system of internal controls and complies with the Financial Reporting Council's Guidance to Directors on the UK Corporate Governance Code. Procedures are in place to take action if any significant failings or weaknesses are identified in the Board's review of internal controls.

There is a clearly defined organisational structure. The Group operates a comprehensive annual planning and budgeting process. Corporate objectives are defined at the start of each year and cascaded throughout the organisation. The performance of each part of the business is reviewed by the senior management team and the Board. Corrective actions are taken where performance does not meet internal expectations.

The Group does not have an independent internal audit department and this is not unusual for a Group of this size, scale and complexity. 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 normally be conducted by an internal audit department are covered by the Board and its Committees as highlighted above in this Audit Committee Report.



Laurie Turnbull

Non-Executive Director and Chairman of the Audit Committee
On behalf of the Board of Directors
28 April 2015

Directors' Report on Remuneration

Dr Sue Foden Non-Executive Director and Chairman of the Remuneration Committee

This report sets out details of the Remuneration Policy for Executive and Non-Executive Directors, describes how the Remuneration Policy is implemented and discloses the amounts paid relating to the year ended 31 December 2014.

The Remuneration Policy Report on pages 41 to 50 will be put to shareholders for approval in a binding vote at the Annual General Meeting on 11 June 2015. The formal Effective Date of the policy will be from the date of the approval by shareholders at the Annual General Meeting. The Annual Report on Remuneration on pages 51 to 61, which describes how policy has been implemented in the year under review will be subject to an advisory vote at the Annual General Meeting.

This report is made by the Board and prepared on its behalf, and for its approval, by the Remuneration Committee. It provides the Company's statement of how it has applied the principles of good governance as set out in the UK Corporate Governance Code and those required by the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the '2008 Regulations').

Further, the Directors' Remuneration Report Regulations require the Company's auditor to report to the Company's members on the 'auditable part' of the Directors' Report on Remuneration and to state whether in their opinion that part of the Report has been properly prepared in accordance with the Companies Act 2006 and the 2008 Regulations. This Report has therefore been divided into sections for audited and unaudited information.

ANNUAL STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

I am pleased to present the Remuneration Committee's report outlining our future remuneration policy and providing details of the remuneration of the Directors for the year ended 31 December 2014.

As last year, the Directors' Report on Remuneration includes a Policy Report, setting out our remuneration policy, and an Annual Report on Remuneration, setting out how we went about implementing existing policy over the year to 31 December 2014 and how we intend to implement policy in the future.

Context to the Remuneration Committee's decisions

2014 has been another year of significant progress for the Company. A key focus for 2014 was concluding the integration of the Inverclyde Biologicals and Vindon businesses, both acquired during 2013, and this has been delivered to plan.

Directors' Report on Remuneration continued

These two transactions were important steps in accelerating the growth and expansion of the Group. The rapid integration of these businesses has enabled the Company to leverage the portfolio benefits and new commercial channels that the acquisitions provided. Through these acquisitions the Group has added high quality, high margin clinical grade serology products to the Healthcare portfolio and accelerated the penetration of the very substantial US life science research and biopharma markets.

With regard to the Group's longer term performance, 2014 has seen another year of financial improvement demonstrated by the key performance indicators of operating profit and EBITDA.

2014 remuneration decisions

The Remuneration Committee continually reviews the senior executive Remuneration Policy to ensure that it can retain and motivate senior managers and Executive Directors, ensuring that the future growth of the Group can be delivered against its strategic goals. Against the backdrop of our evolving and developing business along with the current environment around executive pay, the Remuneration Committee has completed a review of the Company's current remuneration framework to Executive Directors and senior managers.

The key principles for the Committee when conducting the review was to ensure that the remuneration framework at Source BioScience provides focus on pay for performance and alignment of our Executive Directors and senior managers to the business strategy and long-term value creation for shareholders. To deliver these principles, the Committee is proposing amendments to certain elements of our existing Remuneration Policy, in particular to:

- increase the annual bonus opportunity to 100% of salary to ensure the maximum opportunity for our Executive Directors remains in line with market norms
- introduce a three year lock in for any annual bonus earned above 50% of salary which will be paid in shares, to foster greater alignment of the Executive Directors with shareholders and to bring the annual bonus structure in line with prevailing practice in FTSE listed organisations and
- amend the current long-term incentive structure such that it better supports the business strategy of Source BioScience through the next stage of our development

Further details of the proposed amendments are outlined in the following section of this letter.

Other key decisions made by the Remuneration Committee include:

- basic salary increases of 3.5% for Executive Directors (with effect from 1 January 2015), consistent with the performance-related salary increases awarded to Group employees and
- the approval of annual bonus payments of £80,000 in aggregate for the Executive Directors for the year ended 31 December 2014

In terms of risk, the Committee is comfortable that the current arrangements do not encourage undue risk-taking. The proposed amendments to introduce the Long-Term Incentive Plan ('LTIP') ensure we continue to deliver a substantial proportion of reward based on long-term performance and also ensure alignment between our Executive Directors and shareholders.

Proposed amendments to the Remuneration Policy

As highlighted above, following the review, the Committee concluded to make certain amendments to the existing remuneration structure.

The proposed amendments to the Remuneration Policy and the principles which the Committee considered in structuring the proposed changes are:

- a) provide greater alignment of our Executive Directors to the long-term development and growth of Source BioScience through the:
- introduction of a three year lock in for the element of the annual bonus earned above 50% that will be paid in shares. The maximum element paid in shares will be 50% of salary
 - introduction of a shareholding requirement such that, over 5 years, the Executive Directors build up and retain a shareholding of at least 100% of salary

These changes which will see our Executive Directors build and then maintain a greater shareholding in the Company and will promote greater alignment of Executive Directors with shareholder interests over the long-term.

- b) ensure greater link between the remuneration of the Executive Directors and senior managers to shareholder value creation via amendment to the long-term incentive structure through:
- changing the delivery of the existing long-term incentive from a market priced Share Option Plan to performance shares under a new LTIP under which awards of nil cost options vest after three years contingent on the Company's performance against key financial metrics
 - the vesting of awards made under the new LTIP will be contingent on the achievement of financial metrics that are the key drivers sustaining performance of the Company and the creation of value for shareholders. These financial metrics, PBT and EBITDA against targets, provide an assessment of profitable growth in the Company

These proposed changes will bring the Company in line with the market standards around incentive design where share options are becoming less prevalent. In addition, the introduction of the Company's key financial metrics as the drivers for vesting of the long-term incentive structure which were not part of the share option arrangements will better align management incentives and shareholder reward.

- c) develop a long-term incentive structure which is fit for purpose and reflects best practice in UK corporate governance by:
- embedding clawback and malus provisions to the annual bonus and long-term incentives structures for Executive Directors and senior managers

This provides a further safeguard to shareholders around our pay-for-performance message reflecting the Company's desire to be aligned to evolving best practice corporate governance in this area.

Directors' Report on Remuneration continued

2015 Long-Term Incentive Plan (2015 LTIP)

The 2015 LTIP is designed to support our drive for superior long-term financial performance and shareholder returns, aid retention and align the interests of Executive Directors with shareholders.

A key element of our amended Remuneration Policy is the 2015 LTIP. The key terms of the plan are summarised in the following table:

Element	New Policy summary description	Incentive opportunity	Summary of changes from old Policy
Long-term incentives	Performance share awards, to be granted as nil-cost options, will be made annually and will vest subject to the achievement of PBT and EBITDA measures at the end of a three year period	Initial award of up to 200% of salary under the proposed new LTIP On-going annual award, after the initial award, to be 100% of base salary The Committee will retain discretion in exceptional circumstances to make awards up to 200% of salary	Market priced options removed and replaced with award of performance shares. New clawback and malus provisions introduced along with a shareholding requirement of 100% of salary
Operation of first award to be made in 2015	<p>It is proposed that for the initial award under the 2015 LTIP there is an enhanced award for selected individuals of up to 200% of base salary. This enhanced award is for individuals who were not provided an award of share options in respect of 2014 and to act as a tool to retain and motivate members of the management team under this LTIP structure</p> <p>The proposed performance measures will be closely aligned to the business strategy with 50% of the award based on PBT and 50% of the award based on EBITDA</p> <p>The vesting level is 25% for the achievement of Threshold performance and 100% at Maximum</p> <p>The Remuneration Committee is committed to ensure that the performance targets for the LTIP are set at stretching levels, such that the executives are incentivised and rewarded for growing the Company and delivering value to our shareholders</p>		

Further details of the 2015 LTIP are set out in the Notice of Meeting accompanying this report.

Alignment and dialogue with shareholders

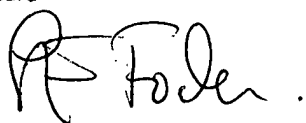
In formulating our Remuneration Policy, the Remuneration Committee has observed good governance guidelines and requirements, the needs of the business in maintaining competitive and incentivising remuneration along with the views of shareholders and shareholder representative bodies.

We have consulted with major shareholders and shareholder representative bodies over the proposed amendments to the Remuneration Policy. The Committee has also sought advice and guidance from external, independent remuneration consultants, PwC.

At the 2014 Annual General Meeting, we were pleased that over 99.9% of shareholders voted to approve last year's Directors' Report on Remuneration.

I look forward to your support of our amended remuneration policy and the introduction of the 2015 LTIP at the 2015 Annual General Meeting.

On behalf of the Board



Dr Sue Foden

Senior Independent Non-Executive Director and
Chairman of the Remuneration Committee
28 April 2015

POLICY

This part of the Directors' Report on Remuneration sets out the remuneration policy for the Company and has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the '2013 Regulations'). The policy has been developed taking into account the principles of the UK Corporate Governance Code and the views of our major shareholders and describes the policy to be applied in relation to the current financial year and future financial years.

The Policy Report will be put to a binding shareholder vote at the 2015 Annual General Meeting and, subject to it receiving majority shareholder support, it will be effective immediately for the purposes of complying with the 2013 Regulations. The Committee intends to apply the policy detailed in the Policy Report from the beginning of the current financial year.

Overview of Remuneration Policy

The Group's remuneration policy is to ensure that the remuneration of Executive Directors and senior managers properly reflects their duties and responsibilities and is sufficient to recruit, retain and motivate high-quality executive talent, taking into account their geographical location and the territories which their responsibilities cover, whilst aligning their interests as closely as possible with the interests of shareholders. The remuneration of the Executive Directors has been structured to provide a significant performance-related element linked to the achievement of stretching performance targets. The Committee keeps the Company's remuneration policy under review to ensure that an appropriate balance between fixed and variable remuneration is maintained.

More generally, the Committee also takes into account the principles of sound risk management when setting reward and takes action to satisfy itself that the remuneration structure does not encourage undue risk.

There are four main elements of the remuneration for Executive Directors and senior managers:

- basic annual salary
- other customary benefits such as pension contributions, private medical insurance, permanent health insurance and, in certain situations, company car benefits
- annual performance-related remuneration which is delivered as a combination of cash and shares
- long term incentive arrangements in the form of performance shares under the LTIP

The policies relating to each of the main components of Executive Directors' remuneration are summarised in the tables overleaf:

Directors' Report on Remuneration continued

Salary

Purpose and link to strategy	To provide competitive fixed remuneration that will attract, retain and motivate high quality key employees and reflect their experience, duties and geographical location
Operation	<p>Reviewed annually</p> <p>Benchmarked periodically against relevant market comparators as appropriate, including companies of a similar international reach and complexity</p> <p>Individual pay levels determined by reference to performance, skills and experience in post</p> <p>Consideration given to the pay levels in the country in which the Executive Director lives and works and the wider salary increases across the Group more generally</p>
Maximum opportunity	<p>Salaries for the year ended 31 December 2015, effective 1 January 2015, are as follows:</p> <ul style="list-style-type: none"> • Chief Executive Officer £165,600 • Chief Operating Officer £134,700 • Group Finance Director £100,000 <p>These salary levels will be eligible for increases during the three-year period that the Remuneration Policy operates</p> <p>During this time, salaries may be increased each year. The Committee will be guided by general economic conditions and the salary increase budget set for the Group</p> <p>Increases beyond those linked to the workforce (in percentage of salary terms) may be awarded in certain circumstances at the Board's discretion (based on the recommendation of the Committee) such as where there is a change in responsibility, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group and/or where comparator data suggest this is required</p>
Framework used to assess performance and for the recovery of sums paid	The Committee considers individual salaries at its appropriate Committee meeting each year taking due account of the factors noted in operation of the salary policy

Benefits

Purpose and link to strategy	To provide competitive benefits in line with market practice
Operation	<p>The Company typically provides the following benefits:</p> <ul style="list-style-type: none"> • car allowance • permanent health insurance • private medical insurance • death in service cover • other ancillary benefits, including relocation expenses/arrangements (if circumstances justify this on a case by case basis) <p>Where revised benefits are offered to employees more generally within a geographic location or across the Group, Executive Directors are likely to be eligible to receive those benefits</p>
Maximum opportunity	In the year ended 31 December 2014, the maximum cost of providing benefits (based on taxable value of the benefits) was 12% of salary in total. However, the cost of some of these benefits is not pre-determined and may vary from year to year based on the overall cost to the Company in securing these benefits for a population of employees (particularly permanent health insurance, private medical insurance and death in service cover)
Framework used to assess performance and for the recovery of sums paid	None

Pension

Purpose and link to strategy	To provide a market competitive, yet cost effective, long term retirement benefit
Operation	A Company contribution to a defined contribution scheme
Maximum opportunity	Company contributions of up to 12% of salary
Framework used to assess performance and for the recovery of sums paid	None

Directors' Report on Remuneration continued

Annual Bonus

Purpose and link to strategy	To incentivise annual delivery of performance objectives relating to the short term goals of the Company
Operation	<p>Up to 50% of salary will be paid in cash. Any bonus in excess of 50% of salary will be granted as shares subject to a three year lock in period. There are no further performance targets on the element paid in shares</p> <p>Annual bonus awards are awarded primarily against performance on a sliding scale against challenging profit-based and EBITDA-based targets, against targets related to the Company's other key performance indicators (e.g. turnaround times for delivery of key components of the service and products portfolio) in addition to the achievement of personal performance objectives. The Committee adjusts these targets each year to ensure there is alignment with the Group's strategic objectives</p> <p>Malus and clawback arrangements will apply to the annual bonus compliant with the FRC UK Corporate Governance Code</p>
Maximum opportunity	<p>100% of salary</p> <p>Participants may be entitled to dividends or dividend equivalents on the bonus shares representing the dividends paid during the lock in period</p>
Framework used to assess performance and for the recovery of sums paid	<p>Details of the performance measures used for the bonus relating to the previous financial year and performance against them, as well as targets set for the year under review, are provided in the Annual Report on Remuneration</p> <p>Bonus is determined based on performance against the Company's key performance indicators and paid following the approval of the Group's audited results for the year by the Board</p> <p>The majority of the bonus will be earned on the basis of stretching profit-based and EBITDA-based targets, this being specific and measurable</p> <p>A proportion of the bonus may also be based on targets related to the Company's other key performance indicators (e.g. turnaround times for delivery of key components of the service and products portfolio in addition to the achievement of personal performance objectives)</p> <p>Indicative targets for the bonus for the coming year are set out in this Directors' Report on Remuneration below, in so far as commercial sensitivity and good practice allow</p> <p>No more than 25% of salary in total is earned at the threshold performance level for each financial measure, with a graduated scale operating thereafter through to maximum bonuses being earned for out-performance of the targets for the year</p>

Long-term incentives

Purpose and link to strategy	To drive superior long-term financial performance and shareholder returns, aid retention and align the interests of Executive Directors with shareholders
Operation	An award of performance shares under the LTIP which vest after three years subject to continued service (save in "good leaver" circumstances) and the achievement of performance conditions
Maximum opportunity	Initial awards in 2015 under the LTIP will be up to 200% of salary Thereafter, the on-going maximum opportunity will be 100% of salary per annum In exceptional circumstances, the Committee has discretion to make awards up to 200% of salary
Framework used to assess performance and for the recovery of sums paid	The proposed performance measures for the LTIP awards to be made in 2015 are equally weighted between PBT and EBITDA 25% vesting for both measures for "threshold" performance and 100% vesting for "maximum" performance The Committee has the discretion to adjust targets or performance measures for any exceptional events that may occur during the year The Committee will review and set weightings and targets before each grant to ensure they remain appropriate and support the business strategy. The Committee may change the balance of the measures or use different measures for subsequent awards as appropriate

Share Ownership Guidelines

Purpose and link to strategy	To align interests of Executive Directors with shareholders
Operation	The shareholding guideline is 100% of basic salary The Committee will encourage the Executive Directors to build up shares to this guideline over a five year period and then subsequently hold a shareholding equivalent to this guideline The Committee will monitor progress towards the guideline on an annual basis
Framework used to assess performance and for the recovery of sums paid	None

Directors' Report on Remuneration continued

Annual Bonus and LTIP

The Committee will operate the annual bonus and LTIP arrangements according to their respective rules and in accordance with the Listing Rules and HMRC rules, where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. These include the following (albeit with quantum and performance targets restricted to the descriptions detailed in the policy table above):

- who participates
- the timing of grant of award and/or payment
- the size of an award and/or a payment
- performance requirements
- discretion required when dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the Group
- determination of a "good"/"bad leaver" for share option plan purposes based on the rules of each plan and the annual bonus and the appropriate treatment chosen
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, corporate transactions)
- the annual review of performance measures weighting and the targets for the annual bonus plan and share option plans from year to year

The Committee also retains the ability to adjust the targets and/or apply different measures and alter weightings for the annual bonus and LTIP arrangements if certain events occur (e.g. material divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

A bonus may be forfeit on cessation of employment in certain circumstances as outlined in "Directors' service contracts and payments for loss of office" on page 48.

Choice of performance measures and approach to target setting

The performance metrics that are used for the annual bonus awards are a subset of the Group's key performance indicators.

Under the annual bonus, PBT and EBITDA are used as the primary performance metrics. Other metrics based on the Company's key performance indicators and achievement of personal performance objectives are also used to provide clear alignment with the overarching strategy of achieving profitable, cash-generative growth.

Under the LTIP, PBT and EBITDA are used as the performance metrics. PBT is the key profit metric for the Company while EBITDA is considered a measure of the underlying cash generation of the business which together are the measures that are critical in executing our business strategy, supporting our organic growth and acquisitions to deliver sustained value to our shareholders.

Targets are set based on sliding scales that take account of internal planning and external market expectations for the Company. LTIP awards vest on delivering threshold performance levels, with maximum rewards requiring substantial out-performance of the challenging plans approved at the start of each year.

Further details of the annual bonus metrics used for the year ended 31 December 2014 are set out in the Annual Report on Remuneration. The targets relating to the annual bonus for the year ending 31 December 2015 are considered to be commercially sensitive and will not therefore be disclosed in advance. They will be disclosed in next year's Annual Report on Remuneration, along with disclosure of performance against them and the payments resulting.

Differences in remuneration policy for Executive Directors compared with other employees

The Committee is made aware of pay structures across the Group when setting the remuneration policy for Executive Directors.

The workforce at Source BioScience is increasingly geographically diverse and so local salary budgets are often influenced by the differing working conditions, regulations and economic conditions (including rates of inflation) in each location. As a result, when determining basic salary increases, the Committee considers the general basic salary increase and prevailing conditions for the country in which the Executive Director is based and, in addition, the general basic salary increase across the Group.

The key difference between Executive Directors' remuneration and that of other employees is that, overall, the remuneration policy for Executive Directors is more heavily weighted towards variable pay. Annual bonuses are available to all employees, but the

percentage of salary opportunity is targeted at those with greater potential to influence performance. Performance targets, whilst being in line with Group objectives, are tailored to incentivise employees against targets which are relevant to the business and role in which they operate. As a result, the level of variable pay varies by level of employee within the Group and is informed by the specific responsibilities of each role and local market practice as appropriate.

How the views of employees are taken into account

The Company does not actively consult with employees on executive remuneration. The Group has a diverse workforce operating in different countries, with various local pay practices, which would make any cost-effective consultation impractical. However, the Committee is made aware of overall pay and employment conditions in the wider workforce and takes this into account when determining Executive Director and senior manager remuneration policy.

How the views of shareholders are taken into account

The Remuneration Committee considers shareholder feedback received in relation to the Annual General Meeting each year. This feedback, together with any additional feedback received during any communications from time to time, is then considered as part of the Company's annual review of remuneration policy.

Reward scenarios

The Company's policy results in a significant proportion of remuneration received by Executive Directors being dependent on Company performance. The chart below illustrates how the total pay opportunities for the Executive Directors vary under three different performance scenarios: fixed only, on-target and maximum. When reviewing the chart, it should be noted that it has been prepared based on the policy detailed above and ignores, for simplicity, the potential impact of future share price growth.

Assumptions:

- "Fixed only" is base salary, benefits and pension
- "On-target" assumes 62.5% payable of the 2015 annual bonus and 62.5% LTIP award
- "Maximum" assumes 100% payable of the 2015 annual bonus and 100% LTIP award

Salary levels (on which other elements of the package are calculated) are based on those applying on 1 January 2015. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed on page 43) for the year ended 31 December 2014. The pension value is set at either 10% or 12% of the salary. Amounts have been rounded to the nearest £1,000. 2015 LTIP awards will only be made after 1 April 2015 and provided that the Company is able to make such awards at such time. For the purposes of the chart, it has been assumed that awards for maximum performance of 100% of salary are made and 62.5% of salary for on-target performance.

Directors' Report on Remuneration continued

Recruitment and Promotion Policy

For Executive Director remuneration and/or promotion situations, the Committee will follow the guidelines outlined below:

Remuneration element	Policy
Base salary	Salary for a new hire (or on promotion to Executive Director) would be set at a level sufficient to attract the best candidate available to fill the role, taking into account the Group's position and strategy. For example, it may set the salary of a new hire at a premium to those paid to the predecessor if this was necessary to attract a candidate with experience in a business of the size which the Group aspires to become or, conversely, could be set at a discount to those offered in companies of a similar size, geographical reach and complexity initially, with a series of planned increases over subsequent years, in order to bring the salary to the desired level, subject to individual performance
Benefits	Benefits will be set in accordance with the Company's remuneration policy. In addition, where necessary, the Committee may approve the payment of relocation expenses to facilitate recruitment and ensure flexibility is retained to pay for legal fees and other costs incurred by the individual in relation to their appointment. Consideration may need to be given to particular elements of benefit packages if a new Director was recruited outside of the UK
Pension	A defined contribution or cash supplement at the level provided to current Executive Directors, again subject to particular considerations for a recruit from outside the UK
Annual Bonus	<p>The annual bonus will operate as outlined for current Executive Directors, with the respective maximum opportunity, albeit usually pro-rated for the period of employment. Depending on the timing and responsibilities of the appointment, it may be necessary to set different performance measures and targets initially</p> <p>The maximum ongoing incentive opportunity under the Company's policy is 100% of salary</p>
LTIP Awards	<p>LTIP awards will be granted in line with the policy outlined for the current Executive Directors. An award may (and would usually) be made upon appointment (subject to the Company not being prohibited from doing so). For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant and further awards may also be considered</p> <p>The policy is to grant LTIP awards up to a maximum of 200% of salary on an exceptional basis, and up to 100% of salary on an on-going basis</p>

Directors' service contracts and payments for loss of office

The policy of the Company is to have service contracts for all the Executive Directors that continue indefinitely unless determined by their notice period.

The Committee's policy is to set notice periods of up to 12 months for the Company to dismiss an Executive Director. Should notice be served by either party, the Executive Director will be able to continue to receive basic salary and other emoluments (but not bonus) for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave.

A bonus is only payable if the relevant Director is in the employment of Source BioScience on the date on which bonuses are paid by the Company following the end of the relevant financial year (the "Payment Date") and he has not given notice of intention to leave employment. The Company's policy in future years (including 2015), will include the ability for payments to be made to Executive Directors on a pro-rata basis if the Director is a "good leaver" during the year: i.e. in certain prescribed circumstances, such as ill health, injury or disability, redundancy, retirement, transfer or sale of the employing company, or other circumstances at the discretion of the Committee. If the Company dismisses the Director on or after the final date of the financial year but before the Payment Date (other than for reasons of gross misconduct) he will remain eligible to receive the bonus.

Executive Directors' service contracts may be terminated without notice for certain events, such as gross misconduct. No payment or compensation beyond sums accrued up to the date of termination will be made if such event occurs.

At the Company's discretion, Executive Directors may receive a payment in lieu of notice. The payment in lieu of notice would relate to the unexpired notice period and include base salary and other emoluments (but not bonus).

The default treatment for share option awards previously granted to an Executive Director will be determined based on the relevant plan rules.

The default treatment of annual bonus shares is that they remain subject to malus and clawback and good/bad leaver provisions during the lock in period.

The default treatment of LTIP awards will be for unvested awards to lapse on cessation of employment. However, in certain prescribed circumstances, such as retirement, injury or disability, redundancy, transfer or sale of the employing company, or other circumstances at the discretion of the Committee (reflecting the circumstances that prevail at the time) "good leaver" status may be applied. If treated as a "good leaver", awards will remain subject to performance conditions, which will be measured over the performance period from grant to the normal vesting date, and may be reduced pro rata to reflect the proportion of the performance period actually served (although the Committee can decide not to pro rate if it considers it inappropriate to do so). The Committee can also decide, in exceptional circumstances, to allow the award to vest on the date of cessation, subject to performance to that date and pro rating.

In relation to the current Executive Directors' service contracts, Dr Ash entered into a service agreement in August 2006 (as amended in February 2007 following his becoming Chief Executive); Dr Leaves entered into a service agreement in June 2008 in respect of his appointment which commenced on 27 June 2008 and Mr Metcalfe entered into a service agreement in September 2014, in respect of his appointment which commenced on 4 September 2014.

External appointments

The Committee recognises that Executive Directors may be invited to become Non-Executive Directors in other companies and that these appointments can enhance their knowledge and experience to the benefit of the Company. It is the Company's policy that Board approval is required before any external appointment may be accepted by an Executive Director. The Executive Director is permitted to retain any fees paid for such services.

None of the current Executive Directors holds any such remunerated external appointment.

Non-Executive Directors' letters of appointment

Non-Executive Directors do not have service contracts but are appointed pursuant to letters of appointment renewable, usually, for periods of three years. The appointment of the Non-Executive Directors may be terminated by either the Director or the Company giving six months' notice in writing or, in the case of the Chairman, 12 months' notice in writing. Continuation of an appointment is contingent on re-election by the shareholders as required by the Articles of Association.

Mr Turnbull has a letter of appointment with the Company dated 23 November 2006 (updated 1 December 2013). Mr Turnbull's appointment is for a period of three years from 1 December 2013 which can be extended for a further three years upon expiry. The appointment may be terminated at any time by either party giving to the other 12 months' prior written notice. If the Company gives notice it may, at its discretion, terminate the appointment with immediate effect by paying an amount in respect of the fee for the notice period. Mr Turnbull's appointment as Chairman will terminate forthwith and without any compensation for loss of office if he is removed as a Director by resolution passed at a general meeting or if he ceases to be a Director pursuant to any provision of the Articles of Association.

Directors' Report on Remuneration continued

Dr Foden has a letter of appointment with the Company dated 1 September 2003 (updated 1 September 2014). Dr Foden's appointment is for a period of one year from 1 September 2014. As Dr Foden will be entering her twelfth year on the Board, to apply best practice she will offer herself for re-election at the next Annual General Meeting and will be subject to annual re-election thereafter. The appointment may be terminated at any time by either party giving to the other six months' prior written notice. If the Company gives notice it may, at its discretion, terminate the appointment with immediate effect by paying an amount in respect of the fee for the notice period. Dr Foden's appointment as Non-Executive Director will terminate forthwith and without any compensation for loss of office if she is removed as a Director by resolution passed at a general meeting or if she ceases to be a Director pursuant to any provision of the Articles of Association.

Mrs Liversidge has a letter of appointment with the Company dated 3 July 2014. Mrs Liversidge's appointment is for a period of three years from 3 July 2014 which can be extended for a further three years upon expiry. The appointment may be terminated at any time by either party giving to the other 12 months' prior written notice. If the Company gives notice it may, at its discretion, terminate the appointment with immediate effect by paying an amount in respect of the fee for the notice period. Mrs Liversidge's appointment as Non-Executive Director will terminate forthwith and without any compensation for loss of office if she is removed as a Director by resolution passed at a general meeting or if she ceases to be a Director pursuant to any provision of the Articles of Association.

	Original appointment date	Renewed from
Mr Laurie Turnbull	23 November 2006	1 December 2013 for 3 years
Dr Sue Foden	1 September 2003	1 September 2014 for 1 year
Mrs Pam Liversidge	3 July 2014	Not applicable

The policy on Non-Executive Directors' fees is:

Fees

Purpose and link to strategy	To provide a competitive fee which will attract those high-calibre individuals with the relevant skills and experience necessary to contribute to a high performing board
Operation	<p>The fees for Non-Executive Directors (including the Chairman) are reviewed every year, although not always changed</p> <p>Fee levels are set by reference to the expected time commitments and responsibility and are periodically market tested to determine if fee levels are in line with those offered in companies of a comparable size, international reach and complexity for each role</p> <p>The Chairman and Non-Executive Directors are paid an annual fee and do not participate in any of the Company's incentive arrangements or receive any pension provision (other than through a salary-sacrifice type arrangement)</p> <p>The Non-Executive Directors receive a basic fee, with additional fees payable for chairmanship of the Company's key committees</p> <p>The Committee recommends the remuneration of the Chairman to the Board</p> <p>The Chairman's fee is considered by the Remuneration Committee (during which the Chairman has no part in discussions) and the Non-Executive Director's fee is determined by the Board excluding the Non-Executive</p>
Maximum opportunity	<p>Fees for the year ended 31 December 2015 are:</p> <ul style="list-style-type: none"> Chairman: £70,000 of which the Chairman has elected to receive £30,000 directly to his personal pension plan Non-Executive Director base fee: £25,000 Chairman of the Audit Committee: £5,000 (Mr Turnbull) Chairman of the Remuneration Committee: £5,000 (Dr Foden) <p>The above fee levels will be eligible for increases during the three-year period that the remuneration policy operates to ensure they continue to appropriately recognise the time commitment of the role, increases to fee levels for non-executive directors in general and fee levels in companies of a similar size and complexity</p>
Framework used to assess performance and for the recovery of sums paid	None

ANNUAL REPORT ON REMUNERATION

This part of the Report has been prepared in accordance with Part 4 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and Rule 9.8.6R of the Listing Rules. The Annual Remuneration Report will be put to an advisory shareholder vote at the 2014 Annual General Meeting. The information on pages 53 to 58 has been audited.

Unaudited Information

The Remuneration Committee

The Committee currently comprises the following Non-Executive Directors of the Company: Dr Sue Foden, Chairman of the Committee and Mr Laurie Turnbull who were both members of the Committee throughout the year under review. Both of the Committee members are considered by the Board to be independent.

The Chief Executive may be invited to attend meetings of the Committee. The Committee keeps itself informed of all relevant developments and best practice in the field of remuneration and seeks advice where appropriate from external advisors. The Chief Executive also assists the Committee, except in relation to his own remuneration. The attendance of each Director at meetings during the year is shown on page 31.

The Committee continues to consider, in line with the Association of British Insurers' Guidelines on Responsible Investment Disclosures, whether the incentive policies for Executive Directors and senior managers raise any issues or risks by inadvertently motivating irresponsible behaviour (with liaison between the Audit and Remuneration Committees where appropriate).

The Committee's remit is set out in the terms of reference, a copy of which is available on request from the Company Secretary. In 2014, the Committee recommended to the Board the broad policy for the remuneration of the Chairman, the Executive Directors and other senior managers.

External advisors

The Committee has authority to obtain the advice of external parties and independent remuneration consultants. It is solely responsible for the appointment of remuneration consultants, their retention and termination and for approval of the basis of their fees and other terms. During the year, the Committee has not sought paid-for advice from any external advisors.

Implementation of remuneration policy for the year ending 31 December 2015

Basic salary

The Executive Directors' base salaries were reviewed during the final quarter of the financial year ending 31 December 2014. The Committee took account of progression in the role as well as a consideration of each individual's developing responsibilities, performance, skills and experience. The Committee also considered the wider pay levels and salary increases being proposed across the Group as a whole and concluded that even though there has been significant change and growth across the Group, any change to remuneration should be mainly reflected in the long term incentive arrangements rather than salary and bonus. As a result, the Committee decided to increase the Executive Directors' salaries by 3.5% with effect from 1 January 2015.

	Salary as at 1 January 2015 £'000	Salary as at 1 January 2014 £'000	% increase
Dr Nick Ash, Chief Executive Officer	165,600	160,000	3.5
Dr Nick Leaves, Chief Operating Officer	134,700	130,000	3.5
Mr Tim Metcalfe, Group Finance Director (appointed 4 September 2014)	100,000	n/a	n/a
Mr Rob Bakewell, Finance Director (resigned 4 September 2014)	n/a	80,000	n/a

The increase awarded to the Executive Directors took due account of the performance-related salary increases awarded to Group employees and the Group's policy objective of offering base salaries that are in line with those offered by companies of a similar size, international reach and complexity.

Directors' Report on Remuneration continued

Pension and benefits

Executive Directors receive a car allowance, private medical insurance, permanent health insurance, death in service cover and a Company pension contribution of up to 12% of salary.

Annual Bonus

In 2015, the Executive Directors will again be eligible to receive a performance-related bonus of up to 100% of salary with the metrics and opportunity composed as follows:

Metric	Opportunity (% salary)
PBT *	50%
EBITDA **	50%

* PBT is profit before tax adjusted for non-recurring items and amortisation of acquired intangible assets.

** EBITDA is profit after tax adjusted for taxation, finance costs, depreciation, amortisation, share based payment charge and non-recurring items.

In line with the policy detailed in the Policy Report, the bonus targets operating for the year ending 31 December 2015 will be structured on a graduated scale around targeted levels of performance. In relation to the profit element of a bonus (maximum of 50% of salary), the bonus payable at the threshold performance level is 12.5% of salary through to a maximum bonus being earned at up to 50% of salary in relation to delivering performance ahead of the Company's target. In relation to the EBITDA element of the bonus (maximum of 50% of salary), the bonus payable at the threshold performance level is 12.5% of salary through to a maximum bonus being earned at up to 50% of salary in relation to delivering performance ahead of the Company's target. Up to 50% of salary will be paid in cash. Any bonus in excess of 50% of salary will be granted as shares subject to a three year lock in period. As was the case with the bonuses for the year ended 31 December 2014, the annual bonus for the year ended 31 December 2015 will also be subject to clawback provisions which will enable the Committee to recover the value overpaid to an Executive Director in respect of 2015 performance in the event of a material misstatement of the Company's financial results or misconduct that leads to such material misstatement or if an error is made in assessing the extent to which any target and/or any other condition imposed on the bonus was satisfied. The specific targets set are considered by the Committee to be commercially sensitive and will not be disclosed in advance of the 2015 report. Disclosure of the targets, along with performance against them and payments resulting, will be provided on a retrospective basis in next year's Annual Report on Remuneration. Bonuses for Executive Directors are subject to provisions allowing for payment, on a pro rata basis, to "good leavers" during the year as outlined above.

Long-Term Incentive Plan

Subject to the approval of the proposed Remuneration Policy, the proposed awards to be made to Executive Directors under the LTIP are as follows:

Operation and potential value

Maximum value of up to 200% of salary based on the market value at the date of grant set in accordance with the rules of the Plan.

The proposed grants for the Executive Directors in the first year only of the Plan as a percentage of salary are:

- Dr Ash – up to 200%
- Dr Leaves – up to 200%
- Mr Metcalfe – up to 200%

Performance metrics used, weightings and time period applicable

The proposed performance measures will be closely aligned to the business strategy with 50% of the award based on PBT and 50% of the award based on EBITDA.

The vesting level is 25% for the achievement of Threshold performance and 100% at Maximum.

It is proposed that for the initial award under the 2015 LTIP there is an enhanced award for selected individuals of up to 200% of base salary. This enhanced award is for individuals who were not provided an award of share options in respect of 2014 and as a tool to retain and motivate members of the management team under this LTIP structure.

Non-Executive Directors' remuneration

Non-Executive Directors are not eligible to participate in short or long-term incentive arrangements or to receive any Company pension contributions.

During the year under review, the remuneration of the Non-Executive Directors was reviewed by the Board (without the Non-Executive Directors participating in the review of their own remuneration) and was maintained at the same level as in previous years. For the year ending 31 December 2015 the Chairman will be paid a fee of £75,000 which includes £5,000 for chairing the Audit Committee.

Audited information

Table 1 Analysis of individual Directors' emoluments

Year ended 31 December 2014

	Fees & salary £'000	Taxable benefits ¹ £'000	Annual incentives		Pension ⁴ £'000	Total £'000
			Annual bonus ² £'000	Share options ³ £'000		
Executive						
Dr Nick Ash	160	14	40	—	19	233
Dr Nick Leaves	130	15	32	—	16	196
Mr Tim Metcalfe ⁵ (appointed 4 September 2014)	33	4	8	—	3	48
Mr Rob Bakewell ⁶ (resigned 4 September 2014)	53	4	—	—	4	61
Non-Executive						
Mr Laurie Turnbull ⁷	45	—	—	—	30	75
Dr Sue Foden ⁸	30	—	—	—	—	30
Mrs Pam Liversidge ⁹ (appointed 3 July 2014)	13	—	—	—	—	13

Mr Bakewell received £122,000 compensation for loss of office.

Year ended 31 December 2013

	Fees & salary £'000	Taxable benefits ¹ £'000	Annual incentives		Pension ⁴ £'000	Total £'000
			Annual bonus ² £'000	Share options ³ £'000		
Executive						
Dr Nick Ash	155	14	35	15	19	238
Dr Nick Leaves	126	14	25	15	15	195
Mr Rob Bakewell	75	7	5	4	6	97
Non-Executive						
Mr Laurie Turnbull	45	—	—	—	30	75
Dr Sue Foden	30	—	—	—	—	30

Directors' Report on Remuneration continued

¹ Taxable benefits

Taxable benefits are a car allowance, death in service insurance and health insurances for the Director and his spouse/children under age 21. In relation to the benefits detailed in the above table, the benefit which is considered to be significant in value terms is the provision of a car allowance, which is limited to an annual amount of £12,600 for the Executive Directors.

² Annual bonus

The annual bonus is the only payment made to Directors which falls within paragraph 7(1)(c) of Part 3 of Schedule 8 to the 2008 Regulations.

The metrics used in the annual bonus plan in the year under review were chosen to be aligned with the Group's stated objectives. This resulted in a combination of profit and EBITDA targets being set. The sliding scales of targets set took due account of both internal planning and the external market's expectations for the Group's performance. The bonus earned against the targets set, and a summary of the targets and weightings applying to each measure, for 2014 is set out below:

Metric	Opportunity (% of salary)	Payment (% of salary)
Profit*	25%	12 to 12.5%
EBITDA**	25%	12 to 12.5%

* Profit is operating profit adjusted for non-recurring items. The profit element of the bonus was to be paid if operating profit (adjusted for non-recurring items) equalled or exceeded the lower limit of £2.3 million.

Below the lower limit, no profit element of the bonus was to be paid. At the lower limit, a bonus of 5% of salary was payable. At an adjusted operating profit of £2.6 million (the mid-point), a profit element of the bonus of 12.5% of salary was to be payable. A maximum profit element of the bonus of 25% of salary was to be payable if the adjusted operating profit was equal to or more than £1.8 million (the upper limit). Between the lower limit and mid-point and between the mid-point and the upper limit, the profit bonus percentage was to increase on a straight line basis. The level of operating profit for the year determined to have been made for annual bonus purposes was £2.6 million. In addition, the performance of the Executive Directors against each of their personal performance objectives is taken into account when determining the percentage of salary to be paid as an annual bonus.

** EBITDA is profit after tax adjusted for taxation, finance costs, depreciation, amortisation, share based payment costs and non-recurring items. The EBITDA element of the bonus was to be paid if EBITDA equalled or exceeded the lower limit of £4.8 million.

Below the lower limit, no EBITDA element of the bonus was to be paid. At the lower limit, an EBITDA bonus of 5% of salary was payable. At an EBITDA of £5.3 million (the mid-point), an EBITDA element of the bonus of 12.5% of salary was to be payable. A maximum EBITDA element of the bonus of 25% of salary was to be payable if the EBITDA was equal to or more than £6.4 million (the upper limit). Between the lower limit and mid-point and between the mid-point and the upper limit, the EBITDA bonus percentage was to increase on a straight line basis. The level of EBITDA for the year determined to have been made for annual bonus purposes was £5.1 million. In addition, the performance of the Executive Directors against each of their personal development objectives is taken into account when determining the percentage of salary to be paid as an annual bonus.

³ Share options

There was no amount stated for 2014 as no incentives were awarded and for those awarded in prior years, none of the share price targets required for subsequent vesting were achieved

Share options awarded to Executive Directors during 2013 were as follows:

Target share price performance condition (pence)	Number of options			
	Dr Ash	Dr Leaves	Mr Bakewell	Total
None	600,000	400,000	200,000	1,200,000
None	1,500,000	1,000,000	500,000	3,000,000
11.00	1,000,000	1,000,000	250,000	2,250,000
14.00 (3 year vesting period)	500,000	600,000	100,000	1,200,000
14.00 (4 year vesting period)	500,000	400,000	150,000	1,050,000
	4,100,000	3,400,000	1,200,000	8,700,000

The amounts stated for 2013 comprise the value of share options awarded during the year that achieved the share price target for subsequent vesting in full on the vesting date. On 21 October 2013 the Executive Directors were awarded share options as detailed on page 56 at an exercise price of 9.50 pence and a share price target of 11.00 pence. On 9 December 2013 the share price target of 11.00 pence was achieved for the 15 consecutive business days required thereby enabling these share options to vest in full on the vesting date of 21 October 2016. The share options value for each Director has been calculated as the number of share options achieving the target share price of 11.00 pence multiplied by the target share price of 11.00 pence less the option price of 9.50 pence.

⁴ Pensions

In addition to their salaries, the Executive Directors are entitled to pension contributions of up to 12% of salary.

⁵ Mr Metcalfe

Mr Metcalfe was appointed as a Director on 4 September 2014 and the information in this Report for 2014 relates only to the period from the date of appointment until 31 December 2014.

⁶ Mr Bakewell

Mr Bakewell resigned as a Director on 4 September 2014 and the information in this Report for 2014 relates only to the period from 1 January 2014 to the date of resignation. All of the share options identified in the table above have lapsed.

⁷ Mr Turnbull

Mr Turnbull received a fee of £5,000 for his role as Chairman of the Audit Committee, which is included in the table.

⁸ Dr Foden

Dr Foden received a fee of £5,000 for her role as Chairman of the Remuneration Committee, which is included in the table.

⁹ Mrs Liversidge

Mrs Liversidge was appointed as a Director on 3 July 2014 and the information in this Report for 2014 relates only to the period from the date of appointment until 31 December 2014.

Directors' Report on Remuneration continued

Table 2 Share options

The Directors who held office during the year held options under the Group's share option schemes as follows:

Director and date of grant	Note	First exercisable date	Last exercisable date	Option price	1 January 2014	Lapsed in year	Granted in year	Exercised in year	31 December 2014
Executive Directors									
Dr Nick Ash									
14 Mar 2006	2	14 Mar 2009	13 Mar 2016	9.00p	100,000	—	—	—	100,000
4 Sep 2006	2	4 Sep 2009	3 Sep 2016	6.63p	316,742	—	—	—	316,742
4 Sep 2006	1	4 Sep 2009	3 Sep 2016	6.63p	683,258	—	—	—	683,258
8 Jun 2007	1	8 Jun 2010	7 Jun 2017	7.25p	500,000	—	—	—	500,000
3 Jul 2007	1	3 Jul 2010	2 Jul 2017	7.75p	1,000,000	—	—	—	1,000,000
31 Mar 2008	1	31 Mar 2011	30 Mar 2018	7.88p	500,000	—	—	—	500,000
31 Mar 2009	1	31 Mar 2012	30 Mar 2019	4.63p	400,000	—	—	—	400,000
26 Apr 2010	1	26 Apr 2013	25 Apr 2020	8.25p	400,000	—	—	—	400,000
27 Sep 2013	1	27 Sep 2016	26 Sep 2023	9.38p	600,000	—	—	—	600,000
21 Oct 2013	1	21 Oct 2016	20 Oct 2023	9.50p	1,500,000	—	—	—	1,500,000
21 Oct 2013	1 & 3	21 Oct 2016	20 Oct 2023	9.50p	1,500,000	—	—	—	1,500,000
21 Oct 2013	1 & 4	21 Oct 2017	20 Oct 2024	9.50p	500,000	—	—	—	500,000
					8,000,000	—	—	—	8,000,000
Dr Nick Leaves									
3 Jul 2007	2	3 Jul 2010	2 Jul 2017	7.75p	387,097	—	—	—	387,097
3 Jul 2007	1	3 Jul 2010	2 Jul 2017	7.75p	112,903	—	—	—	112,903
31 Mar 2008	1	31 Mar 2011	30 Mar 2018	7.88p	200,000	—	—	—	200,000
31 Mar 2009	1	31 Mar 2012	30 Mar 2019	4.63p	300,000	—	—	—	300,000
26 Apr 2010	1	26 Apr 2013	25 Apr 2020	8.25p	300,000	—	—	—	300,000
24 Apr 2011	1	24 Mar 2014	23 Mar 2021	6.25p	300,000	—	—	—	300,000
27 Sep 2013	1	27 Sep 2016	26 Sep 2023	9.38p	400,000	—	—	—	400,000
21 Oct 2013	1	21 Oct 2016	20 Oct 2023	9.50p	1,000,000	—	—	—	1,000,000
21 Oct 2013	1 & 3	21 Oct 2016	20 Oct 2023	9.50p	1,600,000	—	—	—	1,600,000
21 Oct 2013	1 & 4	21 Oct 2017	20 Oct 2024	9.50p	400,000	—	—	—	400,000
					5,000,000	—	—	—	5,000,000
Mr Rob Bakewell									
(resigned 4 September 2014)									
26 Apr 2010	2	26 Apr 2013	25 Apr 2020	8.25p	100,000	100,000	—	—	—
24 Mar 2011	2	24 Mar 2014	23 Mar 2021	6.25p	31,840	31,840	—	—	—
24 Mar 2011	1	24 Mar 2014	23 Mar 2021	6.25p	68,160	68,160	—	—	—
27 Sep 2013	1	27 Sep 2016	26 Sep 2023	9.38p	200,000	200,000	—	—	—
21 Oct 2013	1	21 Oct 2016	20 Oct 2023	9.50p	500,000	500,000	—	—	—
21 Oct 2013	1 & 3	21 Oct 2016	20 Oct 2023	9.50p	350,000	350,000	—	—	—
21 Oct 2013	1 & 4	21 Oct 2017	20 Oct 2024	9.50p	150,000	150,000	—	—	—
					1,400,000	1,400,000	—	—	—

Director and date of grant	Note	First exercisable date	Last exercisable date	Option price	1 January 2014	Lapsed in year	Granted in year	Exercised in year	31 December 2014
Non-Executive Director									
Mr Laurie Turnbull									
8 Jun 2007	1	8 Jun 2010	7 Jun 2017	7.25p	1,750,000	—	—	—	1,750,000
3 Jul 2007	1	3 Jul 2010	2 Jul 2017	7.75p	2,000,000	—	—	—	2,000,000
31 Mar 2008	1	31 Mar 2011	30 Mar 2018	7.88p	500,000	—	—	—	500,000
26 Apr 2010	1	26 Apr 2013	25 Apr 2020	8.25p	400,000	—	—	—	400,000
					4,650,000	—	—	—	4,650,000

Note 1: granted under the 1999 unapproved share option scheme.

Note 2: granted under the 2001 approved share option scheme.

Note 3: subject to performance criteria related to share price; (see page 55 for performance criteria) vesting period 3 years

Note 4: subject to performance criteria related to share price; (see page 55 for performance criteria) vesting period 4 years

1,400,000 share options lapsed during the year on the cessation of office of Mr Bakewell.

Directors' Report on Remuneration continued

Table 3 Directors' interests in shares

The interests (including the interests of their immediate families and persons connected with the Directors) of the Directors who held office during the year in the ordinary shares of the Company at 28 April 2015, 31 December 2014 and 1 January 2014 were:

			Unvested awards		Vested awards
	Beneficially owned at 31 December 2014	Changes from 31 December 2014 to 28 April 2015	Share options not subject to performance conditions	Share options subject to performance conditions	Vested share options not exercised
Executive Directors					
Dr Nick Ash	500,000	—	2,100,000	2,000,000	3,900,000
Dr Nick Leaves	1,028,557	—	1,400,000	2,000,000	1,600,000
Mr Tim Metcalfe (appointed 4 September 2014)	—	—	—	—	—
Non-Executive Directors					
Mr Laurie Turnbull	4,750,000	—	—	—	4,650,000
Dr Sue Foden	244,340	—	—	—	—
Mrs Pam Liversidge	—	—	—	—	—

	Beneficially owned at 31 December 2013	Unvested awards		Vested awards
		Share options not subject to performance conditions	Share options subject to performance conditions	Vested share options not exercised
Executive Directors				
Dr Nick Ash	500,000	2,100,000	2,000,000	3,900,000
Dr Nick Leaves	1,028,557	1,700,000	2,000,000	1,300,000
Mr Rob Bakewell (resigned 4 September 2014)	100,000	800,000	500,000	100,000
Non-Executive Directors				
Mr Laurie Turnbull	4,850,000	—	—	4,650,000
Dr Sue Foden	244,340	—	—	—

The Executive Directors are expected to retain a proportion of the after-tax number of vested share options awarded following exercise, until they hold shares of a value equivalent to 100% of their basic salary (applicable to share option awards granted from 21 October 2013 onwards). As of 21 April 2015 (the latest practical date prior to the completion of this report), the values of the holdings of shares held by the Executive Directors were as follows:

Director	Number of shares held	Value of holding £'000	% of salary
Dr Nick Ash	500,000	63	38%
Dr Nick Leaves	1,028,557	129	96%
Mr Tim Metcalfe	—	—	—

During the period 1 January 2015 to 28 April 2015 no changes in Directors' interests have been notified to the Company.

No Director held any beneficial interest in or options over shares in or debentures of any other Group company at 31 December 2014 or at 28 April 2015 save as set out above.

Unaudited Information

Performance graph

The following graph shows the Company's share price performance, compared with the share price performance of the FTSE 350 Pharmaceuticals & Biotechnology Index also measured by total shareholder return. The Directors are of the opinion that the FTSE 350 Pharmaceuticals & Biotechnology Index provides an appropriate comparative based on the Group's operations.

Statements of Directors' Responsibilities

In respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations. The parent company of the Group is Source BioScience plc ('the Company').

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis. 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 parent company and of their profit or loss for that period.

In preparing each of the Group and parent 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 IFRS as adopted by the EU and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business

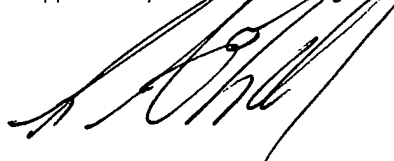
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Report on Remuneration and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Required under the Disclosure and Transparency Rules

The Directors confirm, to the best of their knowledge, that:

- these financial statements, prepared in accordance with IFRS, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and the undertakings included in the consolidation as a whole and
- the Strategic Report, which comprises the Chairman's Statement and the Business Review, includes a fair review of the development and performance of the business and of the position of the parent company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

Approved by the Board and signed on its behalf by:



Laurie Turnbull

Chairman

28 April 2015



Dr Nick Ash

Chief Executive Officer

28 April 2015

Directors' Report on Remuneration continued

Remuneration of the Chief Executive Officer

The table below shows the total remuneration for the Chief Executive Officer during each of the past five financial years. The total remuneration includes the annual bonus and share option awards for those years. The annual bonus and share option award percentages show the value awarded for each year as a percentage of the maximum available.

	2014	2013	2012	2011	2010
Total remuneration (£'000)	233	238	200	154	147
Annual bonus %	50%	45%	35%	0%	0%
Share option awards % ¹	0%	7%	0%	0%	0%

¹ Share Option Awards

The share option awards are included in relation to any financial year on the same basis as those set out in Table 2 on page 56.

Percentage change in remuneration levels

The table below shows the movement in the salary, benefits and annual cash bonus for the Chief Executive Officer between the current and previous financial year compared with that for the average Group employee. The Committee has chosen this comparator as it feels that it provides the most appropriate reflection of the earnings of the average employee than the movement in the Group's total salary cost, which is distorted by movements in the number of employees resulting from acquisitions made during the year and the continued growth and expansion of the Group. For the benefits and bonus per employee, this is based on those employees eligible to participate in such schemes.

	Salary	Benefits	Bonus
Chief Executive Officer	3%	2%	14%
Group employees average	2%	2%	6%

Relative importance of the spend on pay

The table below shows the movement in spend on staff costs versus that in dividends, investing activities and finance costs.

	2014 £'000	2013 £'000	% change
Staff costs	6,791	6,299	6%
Dividends	—	—	—
Investing activities	1,583	14,904	–89%
Finance costs	403	250	61%

The comparison of staff costs with dividends is a requirement of the 2013 Regulations. To date, the Company has neither declared nor paid a dividend.

The Board has a clearly stated strategy of organic and acquisitive growth for the business. The ongoing growth and expansion of the Group is reflected in the investment made in acquisitions and capital expenditure and the financing costs associated with this ongoing investment.

The Committee has determined that it is relevant and appropriate to show the movement in spend in staff costs versus the investment being made in the continued growth of the business.

External Directorships

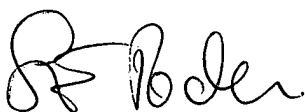
During the year under review the Executive Directors did not hold any external non-executive roles.

Statement of shareholder voting

At last year's Annual General Meeting the Directors' Report on Remuneration received the following votes from shareholders:

	2014 AGM	%
Votes cast in favour	128,814,700	> 99.9%
Votes cast against	20,455,794	< 0.1%
Total votes cast	147,397,597	100%
Abstentions	9,448	

On behalf of the Board



Dr Sue Foden

Chairman of the Remuneration Committee
28 April 2015

Independent Auditor's Report

to the members of Source BioScience plc

Opinions and conclusions arising from our audit

Our opinion on the financial statements is unmodified

We have audited the financial statements of Source BioScience plc for the year ended 31 December 2014 set out on pages 66 to 102.

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 2014 and of the Group's profit for the year then ended
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU)
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006 and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Impairment of goodwill (goodwill net book amount £16.0 million)

Refer to page 34 (Audit Committee Report), page 71 (accounting policy) and pages 83 to 84 (financial disclosures).

- The risk – The Group has significant goodwill allocated to each of three groups of cash generating units ('CGUs'). The risk is that for some or all of the CGUs with significant goodwill allocated to them, the carrying value of the CGU exceeds its recoverable amount (as defined in relevant accounting standards), and therefore goodwill is impaired. The calculation of recoverable amount involves inherent uncertainty in the forecasting and discounting of future cash flows. The assumptions and estimates used in the forecasts and the calculation of a discount rate are therefore key judgemental areas that our audit is concentrated on
- Our response – Our audit procedures included considering the Group's budgets, which form the basis of the longer term forecasts, in the light of historical performance; we challenged the assumptions in the budget with reference to historical trends, and our own expectations based on our knowledge of the business. For each CGU we compared the Group's assumptions to externally derived data for inputs such as projected economic growth. We utilised our own valuation specialist to provide an independent view of the applicable discount rates. We applied sensitivities to key inputs, focusing on the discount rate and revenue growth forecasts as we considered the calculation of recoverable amount to be most sensitive to these inputs. We calculated the discount rates at which the recoverable amount of assets equalled the carrying value of the CGUs and considered this as part of a sensitivity analysis. We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of the aggregate discounted cash flow. We also considered whether the Group's disclosures in respect of the impairment review and the sensitivity of the outcome of the impairment review to changes in key assumptions are appropriate

Revenue recognition (Group revenue £25.2 million)

Refer to page 34 (Audit Committee Report) and page 73 (accounting policy)

- The risk – The Group has revenue streams where the invoicing of customers does not necessarily coincide with the Group fulfilling its obligations. It is therefore necessary to calculate appropriate accruals or deferrals of revenue. In particular, the Group sells pre-paid vouchers for its DNA sequencing service which customers may redeem in the future. For these the Group needs to assess the likelihood of non-redemption. Calculating revenue for any given period therefore requires estimates to be made and the exercise of judgement on the part of the Group, and is therefore a key area that our audit is concentrated on

Independent Auditor's Report continued

to the members of Source BioScience plc

- Our response – Our audit procedures included considering the appropriateness of the accounting policies adopted for each revenue stream, testing the operating effectiveness of controls over the appropriate allocation and timing of revenue recognition. We challenged the judgement made by the Group in respect of their estimate of redemption rates when assessing the deferral of revenue for pre-paid vouchers by comparing the redemption rates used to the historical trend, considering whether the historical trend reflects what we expect future redemption rates to be and using sensitivity analysis of the reported revenue. We also considered whether the Group's disclosures in respect of revenue recognition are appropriate

Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £230,000. This has been determined with reference to a benchmark of Group turnover (of which it represents 0.9%) which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We reported to the Audit Committee corrected or uncorrected identified misstatements exceeding £11,500, in addition to other identified misstatements that warranted reporting on qualitative grounds.

All audit procedures were performed by the Group audit team. Of the Group's nine reporting components, we subjected seven to audit for group reporting purposes. For the remaining components, we performed a review of financial information (including enquiry).

The components for which we performed work other than audits for group reporting purposes were not individually significant but were included in the scope of our group reporting work in order to provide further coverage over the group's results.

These procedures covered 100% of total Group revenue, Group profit before taxation and total Group assets.

The audits undertaken for Group reporting purposes at the seven key reporting components of the Group were all performed to materiality levels set by the Group audit team. These materiality levels were set individually for each component and ranged from £50,000 to £215,000.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006
- 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
- information given in the Corporate Governance Statement set out on pages 30 – 32 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements 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 or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee

Under the Companies Act 2006 we are required 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
- the parent company financial statements and the part of the Directors' Report on Remuneration to be audited are not in agreement with the accounting records and returns
- certain disclosures of Directors' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 28 in relation to going concern and
- the part of the Corporate Governance Statement on page 30 relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 62, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Wayne Cox

Wayne Cox (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

St Nicholas House

Park Row

Nottingham NG1 6FQ

28 April 2015

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

		Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
	Note		
Revenue	2	25,175	19,525
Cost of sales		(12,931)	(10,535)
Gross profit		12,244	8,990
Selling and distribution expenses		(2,391)	(1,889)
Research and development		(158)	(48)
Administrative expenses:			
— normal		(6,455)	(5,265)
— amortisation of intangibles arising from acquisitions		(614)	(368)
— non-recurring costs	4	(808)	(1,104)
— acquisition costs	3	—	(1,215)
Administrative expenses		(7,877)	(7,952)
Operating profit/(loss)	2	1,818	(899)
Finance income	5	8	12
Finance costs	5	(411)	(250)
Profit/(loss) on ordinary activities before tax	7	1,415	(1,137)
Taxation	8	(481)	(621)
Profit/(loss) attributable to equity holders of the Company		934	(1,758)
Other comprehensive income/(expense)			
Items that are, or may subsequently be, recycled to profit or loss:			
— exchange differences on translation of foreign operations		38	(38)
Total comprehensive income/(expense) attributable to equity holders of the Company		972	(1,796)
Earnings per share:			
Basic profit/(loss) per ordinary share	6	0.30p	(0.74)p
Diluted profit/(loss) per ordinary share	6	0.29p	(0.74)p

Statements of Changes in Shareholders' Equity

For the year ended 31 December 2014

Group	Attributable to equity holders of the parent company						
	Share capital £'000	Share premium £'000	Merger and other reserves £'000	Special reserve £'000	Translation reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance at 1 January 2013	4,096	39	2,408	10,788	36	(1,132)	16,235
Currency translation adjustments	—	—	—	—	(38)	—	(38)
Loss for the year	—	—	—	—	—	(1,758)	(1,758)
Total comprehensive expense for the year	—	—	—	—	(38)	(1,758)	(1,796)
Transactions with owners, recorded directly in equity							
Employee share option scheme:							
— value of services provided	—	—	—	—	—	30	30
— taxation in respect of share based payments	—	—	—	—	—	35	35
— proceeds from shares issued	8	11	—	—	—	—	19
Proceeds from shares issued	2,161	7,718	—	—	—	—	9,879
Balance at 31 December 2013	6,265	7,768	2,408	10,788	(2)	(2,825)	24,402
Balance at 1 January 2014	6,265	7,768	2,408	10,788	(2)	(2,825)	24,402
Currency translation adjustments	—	—	—	—	38	—	38
Profit for the year	—	—	—	—	—	934	934
Total comprehensive income for the year	—	—	—	—	38	934	972
Transactions with owners, recorded directly in equity							
Employee share option scheme:							
— value of services provided	—	—	—	—	—	90	90
— taxation in respect of share based payments	—	—	—	—	—	(37)	(37)
— proceeds from shares issued	6	16	—	—	—	—	22
Reclassification of special reserve	—	—	—	(10,788)	—	10,788	—
Balance at 31 December 2014	6,271	7,784	2,408	—	36	8,950	25,449

	Attributable to equity holders of the Company					
Company	Share capital £'000	Share premium £'000	Merger and other reserves £'000	Special reserve £'000	Profit and loss reserve £'000	Total equity £'000
Balance at 1 January 2013	4,096	39	2,408	10,788	4,302	21,633
Loss for the year	—	—	—	—	(3,558)	(3,558)
Total comprehensive expense for the year	—	—	—	—	(3,558)	(3,558)
Transactions with owners, recorded directly in equity						
Employee share option scheme:						
— value of services provided	—	—	—	—	30	30
— taxation in respect of share based payments	—	—	—	—	25	25
— proceeds from shares issued	8	11	—	—	—	19
Proceeds from shares issued	2,161	7,718	—	—	—	9,879
Balance at 31 December 2013	6,265	7,768	2,408	10,788	799	28,028
Balance at 1 January 2014	6,265	7,768	2,408	10,788	799	28,028
Profit for the year	—	—	—	—	808	808
Total comprehensive income for the year	—	—	—	—	808	808
Transactions with owners, recorded directly in equity						
Employee share option scheme:						
— value of services provided	—	—	—	—	90	90
— taxation in respect of share based payments	—	—	—	—	(28)	(28)
— proceeds from shares issued	6	16	—	—	—	22
Reclassification of special reserve	—	—	—	(10,788)	10,788	—
Balance at 31 December 2014	6,271	7,784	2,408	—	12,457	28,920

Statements of Financial Position

As at 31 December 2014

		Group		Company	
		As at 31 December 2014 £'000	As at 31 December 2013 £'000	As at 31 December 2014 £'000	As at 31 December 2013 £'000
Note					
Non-current assets					
Goodwill	9	15,996	15,996	—	—
Other intangible assets	10,11	2,118	2,737	—	—
Financial assets	13	—	47	—	47
Property, plant and equipment	12	10,419	10,772	—	—
Investments in subsidiary undertakings	14	—	—	31,280	31,280
Deferred tax	21	1,054	1,542	478	638
		29,587	31,094	31,758	31,965
Current assets					
Inventories	15	1,149	1,063	—	—
Trade and other receivables	16	4,829	4,763	4,428	3,224
Cash and cash equivalents	17	2,603	4,158	—	2,490
		8,581	9,984	4,428	5,714
Current liabilities					
Bank overdraft	17	—	—	176	—
Trade and other payables	18	5,281	6,724	310	610
Financial liabilities					
— borrowings	19	2,199	2,338	2,081	2,120
Deferred consideration	20	—	200	—	200
		7,480	9,262	2,567	2,930
Net current assets		1,101	722	1,861	2,784
Total assets less current liabilities		30,688	31,816	33,619	34,749
Non-current liabilities					
Deferred income	18	540	575	—	—
Financial liabilities					
— borrowings	19	4,679	6,818	4,679	6,700
— derivative financial instruments	19	20	21	20	21
		5,239	7,414	4,699	6,721
Net assets		25,449	24,402	28,920	28,028
Equity					
Issued share capital	22	6,271	6,265	6,271	6,265
Share premium	24	7,784	7,768	7,784	7,768
Special reserve	25	—	10,788	—	10,788
Other reserves	25	2,444	2,406	2,408	2,408
Profit and loss reserve	26	8,950	(2,825)	12,457	799
Total equity		25,449	24,402	28,920	28,028

The financial statements on pages 66 to 102 were approved by the Board on 28 April 2015 and signed on its behalf by:

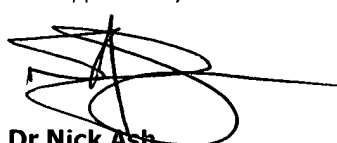


Laurie Turnbull

Chairman

28 April 2015

Company registration number: 79136



Dr Nick Ash

Chief Executive Officer

28 April 2015

Statements of Cash Flows

For the year ended 31 December 2014

	Group		Company	
	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Cash flows from operating activities				
Profit/(loss) for the year	934	(1,758)	808	(3,558)
Adjustments for:				
Depreciation of property, plant and equipment	1,497	1,227	—	—
Amortisation of capitalised development costs	262	250	—	—
Amortisation of intangible assets arising on acquisitions	614	368	—	—
Impairment of investments	—	—	—	1,721
Loss on sale of property, plant and equipment	52	29	—	—
Fair value gain on investments	—	(60)	—	(60)
Finance costs	411	250	394	222
Finance income	(8)	(12)	(1,920)	(1,511)
Taxation	481	621	133	322
Share based payments – value of employee service	90	30	90	18
(Increase)/decrease in inventories	(86)	444	—	—
(Increase)/decrease in trade and other receivables	(50)	(643)	(1,188)	1,109
(Decrease)/increase in trade and other payables	(1,375)	1,700	300	355
Cash generated from/(used in) operations	2,822	2,446	(1,983)	(1,382)
Interest paid	(352)	(232)	(336)	(204)
Tax received	—	2	—	—
Tax paid	(103)	(92)	—	—
Net cash generated from/(used in) operating activities	2,367	2,124	(2,319)	(1,586)
Cash flows from investing activities				
Acquisition of subsidiaries	(200)	(13,606)	(200)	(13,606)
Cash acquired with subsidiaries	—	288	—	—
Share purchases	—	(34)	—	(34)
Purchases of property, plant and equipment	(1,331)	(1,540)	—	—
Proceeds from sale of property, plant and equipment	162	11	—	—
Proceeds from sale of investments	47	96	47	96
Capitalised development costs	(269)	(131)	—	—
Interest received	8	12	1,920	12
Net cash (used in)/generated from investing activities	(1,583)	(14,904)	1,767	(13,532)
Cash flows from financing activities				
Proceeds from issue of shares	6	9,898	6	9,898
Repayment of borrowings	(2,120)	(4,241)	(2,120)	(3,030)
Proceeds from borrowings	—	9,333	—	9,333
Finance lease principal repayments	(218)	(264)	—	—
Net cash (used in)/generated from financing activities	(2,332)	14,726	(2,114)	16,201
Net (decrease)/increase in cash and cash equivalents	(1,548)	1,946	(2,666)	1,083
Cash and cash equivalents at the beginning of the year	4,158	2,217	2,490	1,407
Exchange losses on cash and cash equivalents	(7)	(5)	—	—
Cash and cash equivalents at the end of the year	2,603	4,158	(176)	2,490

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. Accounting policies

Accounting policies for the year ended 31 December 2014

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 have been prepared in accordance with IFRS issued by the International Accounting Standards Board ('IASB') that have been adopted by the European Union (EU).

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 10 to 23. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Business Review on pages 20 to 21. In addition, note 29 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has financial resources together with long term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group is well-placed to manage its business risks successfully despite the current uncertain economic outlook and has managed certain interest rate related risks in relation to its borrowing.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

On publishing the parent company financial statements here together with the Group financial statements the Company is taking advantage of the exemption in section 401 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income and related notes which form a part of these approved financial statements.

The IFRS adopted by the EU applied by the Group in the preparation of these financial statements are those that were effective at 31 December 2014. The Group's financial statements have had no significant impact from new IFRS and amendments to International Accounting Standards ('IAS') which became effective during the year.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods and which the Group has decided not to adopt early. The Group has considered the impact of these new standards and interpretations in future periods on profit, earnings per share and net assets. None of these new standards or interpretations are expected to have a material impact.

Accounting judgements and estimates

The preparation of accounts in conformity with IFRS requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reporting amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment tests have been undertaken with respect to goodwill and intangible assets (notes 9, 10, and 11) using commercial judgement and a number of assumptions and estimates have been made to support their carrying amounts. Estimating a value in use amount requires management to make an estimate of the future expected cash flows from each cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

An assessment is made of the value of revenue to be recognised in relation to payments made in advance of services. For example, where customers purchase pre-paid vouchers for DNA 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 respectively.

A number of accounting estimates and judgements are incorporated within the impairment provisions for trade receivables which are described in more detail in note 16. A number of accounting estimates and judgements are incorporated within the provisions for share-based payments. These are described in more detail in note 23.

The Group is required to estimate its corporation tax. This requires an estimate of the current tax liability together with an assessment of the temporary differences which arise as a result of different accounting and tax treatments. These temporary differences result in deferred tax assets or liabilities. Deferred tax assets are only recognised to the extent that it is more likely than not that the asset will be realised in the future. This evaluation requires judgements to be made including the forecast of future taxable income.

Consolidation

The Group's consolidated financial statements include the results of the Company and all its subsidiaries. A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to derive benefits from its activities. The results of subsidiaries acquired or sold are included in the financial statements for the periods from or to the date on which the transaction became unconditional. Intra-group sales, profits and balances are eliminated fully on consolidation.

Investments in associates represent interests carrying significant influence in an entity but without overall control. They are initially recorded at cost and adjusted thereafter on consolidation for the post-acquisition share of the associate's profit or loss.

Business combinations

The Group accounts for business combinations by applying IFRS 3 Business Combinations (revised). Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquired party.

The acquired party's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Discontinued operations

The Group classifies cash generating units as discontinued where they have been disposed of and represent a separate major line of business or geographical area of operation. When an operation is classified as a discontinued operation, the Consolidated Statement of Comprehensive Income is re-presented as if the operation had been discontinued from the start of the comparative year.

Intangible assets

Goodwill

Goodwill represents the excess of fair value of the purchase consideration over the Group's share of the fair value of the identifiable net assets acquired. Goodwill is recognised as an asset and reviewed for impairment at least annually and whenever there is an indicator of impairment. Goodwill is carried at cost less accumulated impairment losses. Any impairment is recognised in the period in which it is identified. On disposal, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Development costs and acquired computer software

Development costs are written off as incurred except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised from the point of sale or use of the product on a straight-line basis over the period during which the Group is expected to benefit, usually four years. Development costs on projects in progress are not amortised. Provision is made for any impairment in the carrying value of such development costs. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software and is amortised over its operational life.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

Distribution agreements and customer contracts

Distribution agreements and customer contracts have been valued at fair value and are amortised on either a straight-line or reducing balance basis in accordance with the expected flow of future economic benefits, typically between four and six years.

Financial assets at fair value through profit or loss

Financial assets are valued at fair value through profit or loss when classified as held for trading or designated as such on initial recognition. They are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss. Financial assets comprise equity securities.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected operational life as follows:

- Freehold buildings: 50 years
- Leasehold improvements: lower of 10 years and remaining lease term
- Plant and machinery: 5 – 15 years
- Fixtures, fittings and computer software: 3 – 10 years
- Motor vehicles: 4 years
- Freehold land is not depreciated

Impairment of assets

Assets that have an indefinite useful economic life are not subject to amortisation and are tested at least annually or whenever there is an indicator of impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. Impairment losses are recognised in the Statement of Comprehensive Income.

Government grants

Government grants of a capital nature are released to the Statement of Comprehensive Income by equal annual instalments over the expected useful economic lives of the relevant assets.

Leasing and hire purchase commitments

As lessee

Assets obtained under finance leases and hire purchase contracts that transfer substantially all the risks and rewards of ownership to the Group are capitalised in the Statement of Financial Position and depreciated over the shorter of the lease term and their useful economic lives. The interest element of the rental obligation is charged to the Statement of Comprehensive Income over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding. Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

As lessor

Amounts receivable under operating leases are included in revenue on a straight-line basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes transport and handling costs. In the case of manufactured products cost includes all direct expenditure and production overheads based on a normal level of activity. Net realisable value is the price at which inventory can be sold in the normal course of business after allowing for the cost of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. The Group capitalises certain external costs in relation to processed human tissue. Such costs are averaged over the number of samples acquired and written off to the Statement of Comprehensive Income as the samples are utilised within the business or after a period of three years from acquisition if not used during that period. Provision is made where necessary for obsolete, slow-moving and defective inventory.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable for goods and services provided in the normal course of business, net of discounts and VAT. It comprises the value of sales of: contract pathology; sequencing; contract research and stability storage services; processed human tissue; serology and genomic reagents; antibodies; LBC systems and testing kits; controlled environment storage equipment, together with lease rentals.

Amounts received or receivable for services, typically provided under contract pathology and sequencing services, are recognised as revenue when tests are complete and any obligations are fulfilled.

Revenue from sales of processed human tissue, genomic reagents and antibodies, LBC systems and telepathology hardware systems is recognised when goods are delivered and accepted by the customer.

In respect of income relating to annual service contracts which are invoiced in advance at the inception of the agreement, it is the Group's policy to defer a proportion of the income, as each contract has an element of associated costs which are incurred throughout the contract's life.

Long term contracts are those where activity falls into different accounting periods. Revenue on long term contracts is recognised as the contract progresses. Attributable profit is recognised once the outcome of a long term contract can be assessed with reasonable certainty. Attributable profit is recognised on the cost percentage completion method. Immediate provision is made for all foreseeable losses if a contract is assessed as unprofitable.

Where equipment is leased out and the Group owns and has the responsibility to maintain the respective components the revenue is recognised over the period of the rental on a straight-line basis.

LBC testing kits

The price charged by the Group for the LBC testing kits is specified in the Supply Agreements (which are typically for five years) 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 LBC 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 Supply Agreement.

Revenue from 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 provisions of these elements of the supply.

Pre-paid vouchers

Vouchers are supplied to customers who purchase them in advance in return for the right to receive certain services in the future. The revenue associated with these voucher sales is recognised when the services are performed and our obligations met with an estimate made for a proportion of vouchers that are not expected to be redeemed which is based on prior period redemption rates.

Employee benefits

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income as incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Share-based compensation

The Group operates a number of share option and share save schemes. For all grants of share options and awards, the fair value as at the date of grant is calculated using the Black-Scholes option pricing model and the corresponding expense is recognised on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Upon exercise of the options the proceeds received are credited to share capital.

Notes to the Consolidated Financial Statements continued

1. Accounting policies continued

Share options granted to subsidiary employees

The parent company grants share options over its own ordinary shares to employees of subsidiary companies. These employees provide services to the subsidiary companies. The cost of these shares is recharged and therefore the fair value of the share options granted is not recognised as a capital contribution to the subsidiary companies.

Interest

Interest receivable/payable is credited/charged to the Statement of Comprehensive Income using the effective interest method.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Their carrying amount is reviewed at each reporting date on the same basis.

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, on a non-discounted basis, and is charged in the Statement of Comprehensive Income.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at 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. All differences are taken to the Statement of Comprehensive Income.

The results of overseas operations are translated at the monthly average rate of exchange and net assets at the rate ruling at the reporting date. Exchange differences arising on the translation of opening net assets and results of overseas operations are reported in the foreign currency translation reserve. Similarly, exchange differences arising on the translation of intercompany balances with overseas subsidiaries are reported in the foreign currency translation reserves to the extent that such balances are considered to form part of the net investments in that overseas subsidiary.

Segmental reporting

In accordance with IFRS 8 Operating Segments, a breakdown of certain data in the financial statements is given by segment. The segments are the same as those used for internal reporting. The aim is to provide users of the financial statements with information regarding the profitability and future prospects of the Group's various activities.

Source BioScience is organised into three primary business segments: Healthcare, LifeSciences and Stability & Bio Storage. The Group's reportable segments are strategic business units that offer different services and products for which monthly financial information is provided to the Board and senior management.

The Healthcare division comprises diagnostic services, including testing for cancer and infectious disease, and a complementary portfolio of laboratory and clinical products, including cervical cancer screening in addition to blood and tissue serology reagents.

LifeSciences provides ultra-fast DNA sequencing services and related products, delivered by our international network of laboratories and distributors to academic research groups, biotechnology and pharmaceutical companies.

Stability & Bio Storage provides support for drug discovery, from biomarker discovery and clinical trial services through to stability storage and sample archiving under environmentally controlled conditions.

All directly attributable costs are charged to the business segments. These predominantly represent costs of sales and establishment costs. Costs relating to central activities and shared services are not allocated to the business units but are controlled centrally and reported separately.

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, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. The principal financial assets and liabilities of the Group are as follows:

Trade and other receivables

Trade and other receivables are measured at amortised cost less any provision for impairment. Trade and other receivables are discounted when the time value of money is considered material.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Bank borrowings

Interest bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method where material.

Equity instruments

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

Derivative financial instruments and hedging activities

The Group from time to time holds derivative financial instruments to hedge its exposure to foreign currency exchange rates and interest rates. Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Statement of Comprehensive Income.

The Group does not apply hedge accounting.

2. Operating segments

Information about reporting segments

For the purposes of management reporting to the chief operating decision maker, the commercial activities of the Group are organised into three customer-focused divisions:

- Healthcare
- LifeSciences
- Stability & Bio Storage

Financial information for each operating segment is also available in a disaggregated form in line with the identified cash generating units.

Notes to the Consolidated Financial Statements continued

2. Operating segments continued

During the year there were immaterial sales between business segments (2013: immaterial) and where these do occur they are at arm's length pricing.

Unallocated costs represent corporate expenses and common operating costs. Segment assets include intangible assets including goodwill, plant and equipment, stocks and debtors. Unallocated assets include all freehold land and buildings, other receivables and prepayments and cash. Segment liabilities comprise operating liabilities and exclude borrowings. Unallocated liabilities comprise borrowings and trade and other payables. Segment capital expenditure comprises additions to plant and equipment and capitalised development costs.

Year ended 31 December 2014	Healthcare £'000	LifeSciences £'000	Stability & Bio Storage £'000	Unallocated £'000	Group £'000
Continuing operations					
Revenue	10,017	7,152	8,006	—	25,175
Segment result	3,431	1,079	1,570	(4,262)	1,818
Finance income				8	8
Finance costs				(411)	(411)
Profit/(loss) before tax	3,431	1,079	1,570	(4,665)	1,415
Taxation				(481)	(481)
Profit/(loss) for the year	3,431	1,079	1,570	(5,146)	934
Segment assets	4,853	10,495	13,416	—	28,764
Unallocated assets					
— property, plant and equipment				5,179	5,179
— deferred tax asset				1,054	1,054
— other receivables and prepayments				568	568
— cash and cash equivalents				2,603	2,603
Total assets	4,853	10,495	13,416	9,404	38,168
Segment liabilities	1,414	1,183	1,601	—	4,198
Unallocated liabilities					
— borrowings				6,878	6,878
— derivative financial instruments				20	20
— trade and other payables				1,623	1,623
Total liabilities	1,414	1,183	1,601	8,521	12,719
Other segment items					
Capital expenditure					
— property, plant and equipment	167	473	504	187	1,331
— development costs	—	269	—	—	269
Depreciation	386	381	537	193	1,497
Amortisation of intangible assets arising on acquisitions	31	103	480	—	614
Amortisation of capitalised development costs	142	120	—	—	262
Other non-cash expenses					
— share option scheme	—	—	—	90	90

Year ended 31 December 2013	Healthcare £'000	LifeSciences £'000	Stability & Bio Storage £'000	Unallocated £'000	Group £'000
Continuing operations					
Revenue	9,398	7,629	2,498	—	19,525
Segment result	2,985	1,174	258	(5,316)	(899)
Finance income				12	12
Finance costs				(250)	(250)
Loss before tax				(5,554)	(1,137)
Taxation				(621)	(621)
Profit/(loss) for the year	2,985	1,174	258	(6,175)	(1,758)
Segment assets	5,400	10,787	13,154	—	29,341
Unallocated assets					
— property, plant and equipment				5,181	5,181
— financial assets				47	47
— deferred tax asset				1,542	1,542
— other receivables and prepayments				809	809
— cash and cash equivalents				4,158	4,158
Total assets	5,400	10,787	13,154	11,737	41,078
Segment liabilities	1,115	2,050	1,679	—	4,844
Unallocated liabilities					
— borrowings				9,156	9,156
— derivative financial instruments				21	21
— trade and other payables				2,455	2,455
— deferred consideration				200	200
Total liabilities	1,115	2,050	1,679	11,832	16,676
Other segment items					
Capital expenditure					
— property, plant and equipment	471	340	518	211	1,540
— development costs	1,395	131	8,590	—	10,116
Depreciation	264	425	162	376	1,227
Amortisation of intangible assets arising					
on acquisitions	73	164	131	—	368
Amortisation of capitalised development costs	69	181	—	—	250
Other non-cash expenses					
— share option scheme	—	—	—	30	30

The disclosure in relation to unallocated property, plant and equipment has been restated to show property with a net book value of £2.5 million which in the prior year was presented within the Stability & Bio Storage segment.

Notes to the Consolidated Financial Statements continued

2. Operating segments continued

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 US.

The revenue analysis in the table below is based on the location of the customer, with the segment assets owned and capital expenditure made by Group Companies located in that area/country.

	Revenue		Total assets		Capital expenditure	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
UK	20,153	15,784	34,811	38,169	1,020	1,089
Europe (excluding UK)	3,179	2,922	1,772	1,699	36	58
Americas	1,606	617	1,585	1,210	275	393
Middle East, Asia	237	202	—	—	—	—
Total	25,175	19,525	38,168	41,078	1,331	1,540

Analysis of revenue by category

The Group's revenue is analysed as follows:

	2014 £'000	2013 £'000
Revenue from the provision of services	14,838	9,801
Revenue from sales of goods	9,132	8,469
Revenue from operating lease rentals	1,205	1,255
Total	25,175	19,525

3. Acquisitions of subsidiaries

(a) Inverclyde Biologicals Limited

On 26 April 2013 Source BioScience completed the acquisition of the entire ordinary share capital of Inverclyde Biologicals Limited. The principal activities of Inverclyde Biologicals are the manufacture and distribution of high quality diagnostic kits and blood group serology reagents.

The book and fair values of the assets and liabilities acquired were as follows:

	Acquiree's carrying amount £'000	Fair value £'000
Tangible assets — property, plant and equipment	24	24
Intangible assets — customer contracts	—	547
Inventories	34	34
Other current assets	109	98
Cash and cash equivalents	313	313
Current financial liabilities	(110)	(121)
Deferred tax	—	(109)
Value of net assets acquired	370	786
Goodwill arising on acquisition		848
Consideration		1,634
Consideration is made up as follows:		
Initial cash consideration		1,434
Deferred consideration		200
		1,634

The goodwill represents future economic benefits arising from assets that are not capable of being identified individually nor recognised as separate assets. This will include acquirer specific synergies that arise in the post-acquisition period such as cross-selling opportunities and the enhancement of technologies and processes between existing and acquired sites; the technical skills and customer support provided by the business and attributable to the workforce and access to Inverclyde Biologicals' product portfolio.

The fair value adjustments relate primarily to the recognition of acquired intangibles and the deferred taxation in respect of these intangible assets. No adjustment to these values has been deemed necessary in preparing the financial statements for the year ended 31 December 2014.

The deferred consideration of £0.2 million was paid on the first anniversary following acquisition on 26 April 2014.

(b) Vindon Healthcare plc

On 17 September 2013 Source BioScience completed the acquisition of the entire ordinary share capital of Vindon Healthcare plc. The principal activities of Vindon are the provision of controlled environment services and products to the biopharma and life sciences industries.

Notes to the Consolidated Financial Statements continued

3. Acquisitions of subsidiaries continued

The book and fair values of the assets and liabilities acquired were as follows:

	Acquiree's carrying amount £'000	Fair value £'000
Tangible assets — property, plant and equipment	6,088	5,159
Intangible assets — existing goodwill	2,760	—
Intangible assets — customer contracts	—	1,785
Inventories	1,109	829
Other current assets	1,612	1,545
Cash and cash equivalents	(25)	(25)
Current financial liabilities	(2,305)	(2,303)
Borrowings	(1,211)	(1,211)
Deferred tax	168	(412)
Value of net assets acquired	8,196	5,367
Goodwill arising on acquisition		6,805
Consideration		12,172

Consideration is made up as follows:

Initial cash consideration	12,172
	12,172

The goodwill represents future economic benefits arising from assets that are not capable of being identified individually nor recognised as separate assets. This will include acquirer specific synergies that arise in the post-acquisition period such as cross-selling opportunities and the enhancement of technologies and processes between existing and acquired sites; the technical skills and customer support provided by the business and attributable to the workforce and access to Vindon's service and product portfolio.

The fair value adjustments can be summarised as follows:

- adjustment to tangible assets to reflect the valuation of freehold land and buildings held for resale; certain assets at the Atlanta facility in the USA and alignment of depreciation policies
- elimination of goodwill arising from historic Vindon acquisitions and
- the recognition of acquired intangibles associated with customer contracts along with the deferred taxation in respect of these intangible assets

No adjustment to these values has been deemed necessary in preparing the financial statements for the year ended 31 December 2014.

4. Non-recurring costs

As highlighted in the Business Review, the planned integration of the businesses acquired during 2013 continued during 2014. This entailed significant operational changes to the acquired and existing businesses, in addition to infrastructure enhancements to support the growth of the enlarged Group, which have benefited the efficiency of operations immediately. The one-off, non-recurring costs associated with the integration and restructuring of the facilities amounted to £0.7 million (2013: £1.1 million) in addition to £0.1 million attributable to the changes to the Board of Directors.

5. Finance (costs)/income — net

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Finance income:				
Interest receivable on deposits	8	12	7	12
Interest receivable on intra-group loans	—	—	1,913	1,499
Finance income	8	12	1,920	1,511
Finance costs:				
Interest payable on bank loans	(345)	(214)	(336)	(204)
Interest payable on finance leases	(8)	(18)	—	—
Amortisation of loan arrangement fees	(59)	(47)	(59)	(47)
Net gain on derivative financial instruments	1	29	1	29
Finance costs	(411)	(250)	(394)	(222)
Finance (costs)/income — net	(403)	(238)	1,526	1,289

6. Earnings per share

Basic earnings per share are calculated by dividing the result for the year attributable to ordinary equity shareholders of the Company by the weighted average number of shares in issue during the year. Diluted earnings per share are calculated by dividing the result for the year attributable to ordinary equity shareholders by the weighted average number of ordinary shares in issue during the year adjusted for the effects of dilutive options.

The calculation of basic earnings per share for the year was based on the profit attributable to ordinary shareholders of £934,000 (2013: £1,758,000 loss) and 313,504,170 ordinary shares (2013: 237,826,331 ordinary shares) being the weighted average number of ordinary shares in issue.

The calculation of diluted earnings per share for the year is based on the profit attributable to ordinary shareholders of £934,000 (2013: £1,758,000 loss) and the weighted average number of ordinary shares in issue, adjusted for 6,196,084 dilutive options (2013: nil dilutive options) of 319,700,254 (2013: 237,826,331).

IAS 33 Earnings per share requires presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share.

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

	2014			2013		
	Earnings £'000	Weighted average number of shares 000's	Per share amount (pence)	(Loss)/ earnings £'000	Weighted average number of shares 000's	Per share amount (pence)
Basic EPS						
Earnings/(loss) attributable to ordinary shareholders	934	313,504	0.30	(1,758)	237,826	(0.74)
Diluted EPS						
Earnings/(loss) attributable to ordinary shareholders	934	319,700	0.29	(1,758)	237,826	(0.74)
Adjusted basic EPS*						
Earnings attributable to ordinary shareholders	1,742	313,504	0.56	561	237,826	0.24
Adjusted diluted EPS*						
Earnings attributable to ordinary shareholders	1,742	319,700	0.54	561	241,771	0.23

* Adjusted results are stated after eliminating non-recurring costs of £0.8 million in the year (2013: after eliminating £2.3 million of acquisition costs and post-acquisition restructuring costs). The adjusted results have been included to present a fair comparison of progress in the underlying business.

Notes to the Consolidated Financial Statements continued

7. Profit/(loss) on ordinary activities before tax

Group	2014 £'000	2013 £'000
The following items have been included in arriving at profit/(loss) before tax		
Staff costs (note 27)	6,791	6,299
Depreciation of property, plant and equipment		
— owned assets	1,477	1,117
— under finance leases	20	110
Amortisation of intangible assets arising on acquisitions	614	368
Amortisation of capitalised development costs	262	250
Other operating lease rentals payable		
— property	255	159
Repairs and maintenance expenditure on property, plant and equipment	111	49
Research and development expenditure	158	48

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:

	2014 £'000	2013 £'000
Audit services:		
— statutory audit of Company's financial statements	10	10
— statutory audit of financial statements of subsidiaries	66	74
Tax services:		
— compliance services	45	30
— advisory services	9	10
Non audit services:		
— transaction related services	—	229
	130	353

8. Taxation

Group	2014 £'000	2013 £'000
Current tax		
— current year	88	88
— prior year adjustment	(58)	—
	30	88
Deferred tax (note 21)	451	533
Taxation charge	481	621

The tax charge for the year is higher (2013: higher) than the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%). The charge for the year can be reconciled to the profit/(loss) per the Statement of Comprehensive Income as follows:

Group	2014 £'000	2013 £'000
Profit/(loss) on ordinary activities before tax	1,415	(1,137)
Profit/(loss) on ordinary activities multiplied by rate of corporation tax of 21.50% (2013: 23.25%)	304	(264)
Effects of:		
Expenses not deductible for tax purposes	16	389
Deferred tax temporary differences not recognised	226	350
Over-provided in prior years	(58)	—
Other temporary timing differences	(7)	146
Total taxation charge	481	621

A reduction in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the reporting date.

9. Intangible fixed assets — goodwill

Group	2014 £'000	2013 £'000
Cost		
At 1 January	18,287	10,634
Acquisitions – through business combinations	—	7,653
At 31 December	18,287	18,287
Aggregate amortisation and impairment		
At 1 January	2,291	2,291
At 31 December	2,291	2,291
Net book amount at 31 December	15,996	15,996

The Company has £nil (2013: £nil) intangible fixed assets — goodwill.

In accordance with the requirements of IAS 36, Impairment of assets, goodwill is allocated to the Group's Cash Generating Units ('CGUs') that are expected to benefit from the synergies of the business combination that give rise to the goodwill.

The goodwill within the Group relates to the Healthcare, LifeSciences and Stability & Bio Storage groups of CGUs.

The carrying value of goodwill attributable to each CGU is as follows:

	Healthcare £'000	LifeSciences £'000	Stability & Bio Storage £'000	Group £'000
At 31 December 2013	1,431	7,760	6,805	15,996
At 31 December 2014	1,431	7,760	6,805	15,996

Notes to the Consolidated Financial Statements continued

9. Intangible fixed assets — goodwill continued

Goodwill has been tested for annual impairment based on an assessment of value in use and the key assumptions applied in the value in use calculations are set out below:

- Cash flow projections

Management prepare detailed three year cash flow forecasts derived from the most recent annual financial budgets, approved by the Board with an appropriate extrapolation of these cash flows to give a three-year time horizon with an adjustment for the terminal value. The projections represent the best estimate of future performance based on past performance and expectations for market development. The key assumptions include expected changes to demand for products and services, selling prices and direct costs.

- Discount rate

A weighted average cost of capital of 17.3% (2013: 17.1%) on a pre-tax basis is used to discount the cash flow forecasts from each CGU based on the Group's adjusted cost of capital to reflect a market participant's discount rate. The same discount rate has been applied across each CGU as management consider this rate to be an appropriate reflection of the risks and rewards inherent to each CGU as the principal operations of each CGU are located in the UK and the end markets which each CGU are supplying are not significantly different.

- Growth rates

Growth rates commensurate with the expected increase in demand in each CGU have been used. The CGUs are at different stages of maturity and consequently the assumed growth rates differ across each CGU with LifeSciences having a higher assumed level of growth in the first three years. A growth rate of 1.5% into perpetuity has been assumed for all CGUs which does not exceed the long term growth rate for the markets to which each CGU is dedicated.

Sensitivity analysis as at 31 December 2014 has indicated that no reasonable, foreseeable change to the key assumptions used in the impairment model will result in a significant impairment charge being recorded in the financial statements.

No impairment arose as a result of the valuations.

The estimates and assumptions made in connection with impairment testing could differ from future actual results of operations and cash flows. Further, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a significant impact on the Group's financial condition and results of operations. The carrying value of goodwill and other intangible assets will continue to be reviewed at least annually for impairment and adjusted to the recoverable amount if required.

10. Intangible fixed assets — development costs

Group	2014 £'000	2013 £'000
Cost		
At 1 January	3,306	3,168
Additions	269	131
Exchange adjustments	(26)	7
At 31 December	3,549	3,306
Aggregate amortisation and impairment		
At 1 January	2,728	2,478
Charge for the year	262	250
Exchange adjustments	(14)	—
At 31 December	2,976	2,728
Net book amount at 31 December	573	578

Intangible fixed assets — development costs represent the costs, and associated amortisation, of internally generated software. All amortisation charges in the year have been charged through administrative expenses.

The Company has £nil (2013: £nil) intangible fixed assets — development costs.

11. Intangible fixed assets — distribution agreements and customer contracts

Group	2014 £'000	2013 £'000
Cost		
At 1 January	3,639	1,306
Acquisitions – through business combinations	—	2,332
Exchange adjustments	—	1
At 31 December	3,639	3,639
Aggregate amortisation and impairment		
At 1 January	1,480	1,112
Charge for the year	614	368
31 December	2,094	1,480
Net book amount at 31 December	1,545	2,159

Intangible fixed assets — distribution agreements and customer contracts represent the costs, and associated amortisation, of agreements and relationships acquired with the acquisition of subsidiaries. All amortisation charges in the year have been charged through administrative expenses.

The Company has £nil (2013: £nil) intangible fixed assets — distribution agreements and customer contracts.

Notes to the Consolidated Financial Statements continued

12. Property, plant and equipment

Group

	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
2014						
Cost or valuation						
At 1 January	7,758	113	6,716	7,085	129	21,801
Additions	—	37	531	763	—	1,331
Exchange adjustments	(7)	—	(6)	(7)	—	(20)
Disposals	—	—	(341)	(8)	(87)	(436)
At 31 December	7,751	150	6,900	7,833	42	22,676
Accumulated depreciation and impairment						
At 1 January	2,906	80	3,192	4,838	13	11,029
Depreciation charge for the year	71	34	693	662	37	1,497
Exchange adjustments	(1)	2	4	(42)	(10)	(47)
Disposals	—	—	(202)	(1)	(19)	(222)
At 31 December	2,976	116	3,687	5,457	21	12,257
Net book amount at 31 December	4,775	34	3,213	2,376	21	10,419
	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
2013						
Cost or valuation						
At 1 January	5,206	84	3,905	5,919	35	15,149
Additions at cost	—	29	1,050	461	—	1,540
Acquisitions	2,552	—	1,754	705	172	5,183
Exchange adjustments	—	—	7	—	—	7
Disposals	—	—	—	—	(78)	(78)
At 31 December	7,758	113	6,716	7,085	129	21,801
Accumulated depreciation and impairment						
At 1 January	2,870	73	2,671	4,202	24	9,840
Depreciation charge for the year	36	7	521	636	27	1,227
Disposals	—	—	—	—	(38)	(38)
At 31 December	2,906	80	3,192	4,838	13	11,029
Net book amount at 31 December	4,852	33	3,524	2,247	116	10,772

Assets held under finance leases have the following net book amount:

	2014 Fixtures and fittings £'000	2013 Fixtures and fittings £'000
Cost	350	797
Aggregate depreciation	(307)	(314)
Net book amount	43	483

Plant and machinery includes:

	2014 £'000	2013 £'000
Assets held for use in operating leases:		
Cost	3,840	3,740
Aggregate depreciation brought forward	(2,204)	(1,884)
Charge for the year	(346)	(320)
Net book amount	1,290	1,536

Plant and machinery held for use in operating leases relate to LBC and auto screening cytology systems together with ancillary equipment supplied to Health Authorities and hospitals in England and Wales under consumable supply, rental and maintenance agreements. The LBC agreements are typically for a period of five years. At the year end there were 48 (2013: 48) LBC systems and seven autoscreening systems (2013: seven) held for use under such agreements.

There were no non-cancellable leases at 31 December 2014 or 31 December 2013 and the contingent rents recognised in income in 2014 were £1,205,000 (2013: £1,255,000).

The Company has £nil (2013: £nil) property, plant and equipment.

13. Other investments

Financial assets

The Company held shares that were valued at the market price as at 31 December 2014 of £nil (2013: £47,000).

14. Investments in subsidiary undertakings

Fixed asset investments

Company

2014	Shares in Group undertakings £'000	Long term loans £'000	Total £'000
Cost at 1 January	35,795	18,524	54,319
Reclassification in the year	(1,634)	1,634	—
Cost at 31 December	34,161	20,158	54,319
Impairment at 1 January	21,340	1,699	23,039
Impairment charge in the year	—	—	—
Impairment at 31 December	21,340	1,699	23,039
Net book amount at 31 December	12,821	18,459	31,280

Notes to the Consolidated Financial Statements continued

14. Investments in subsidiary undertakings continued

2013	Shares in Group undertakings £'000	Long term loans £'000	Total £'000
Cost at 1 January	21,977	17,002	38,979
Additions in the year	13,818	1,522	15,340
Cost at 31 December in the year	35,795	18,524	54,319
Impairment at 1 January	21,318	—	21,318
Impairment charge in the year	22	1,699	1,721
Impairment at 31 December	21,340	1,699	23,039
Net book amount at 31 December	14,455	16,825	31,280

The subsidiary undertakings of Source BioScience plc and their respective activities were as follows at 31 December 2014:

	Country of incorporation	Principal activity	Percentage held
Source BioScience UK Limited	England	Provision of diagnostic and genomic services and distribution of diagnostic and genomic products	100%
Source BioScience GmbH	Germany	Provision of genomic services and distribution of genomic products	100% ^a
Source BioScience Germany GmbH	Germany	Intermediate holding company	100%
Source BioScience (Orchard Place) Limited	England	Property rental	100%
Source BioScience (Storage) Limited	England	Provision of controlled environment storage, services and products	100% ^d
Source BioScience (Cryobank) Limited	England	Provision of controlled environment storage services	100% ^d
Source BioScience Ireland Limited	Ireland	Provision of controlled environment storage services	100% ^d
Source BioScience Inc	United States	Provision of controlled environment storage, services and products	100% ^e
Geneservice Limited	England	Dormant	100%
Autogen Bioclear UK Limited	England	Dormant	100%
Fairfield Imaging Limited	England	Dormant	100%
Fairfield Telepathology Limited	England	Dormant	100% ^b
Histological Solutions Limited	England	Dormant	100%
Kinetic Imaging Limited	England	Dormant	100%
Source BioScience (Directors) Limited	England	Dormant	100%
Medical Solutions Limited	England	Dormant	100%
Medical Solutions (Leeds) Limited	England	Dormant	100%
Cryobank Guarantor Limited	England	Dormant	100%
Pathlore Ltd	England	Dormant	100% ^b
Quinoderm Limited	England	Dormant	100% ^c
Source BioScience (Healthcare) Limited	England	Dormant	100%
Vindon Limited	England	Dormant	100% ^d
Inverclyde Biologicals Limited	Scotland	Dormant	100%

a Held indirectly via Source BioScience Germany GmbH.

b Held indirectly via Fairfield Imaging Limited.

c Held indirectly via Medical Solutions (Leeds) Limited.

d Held indirectly via Source BioScience (Healthcare) Limited.

e Held indirectly via Source BioScience (Storage) Limited.

All of the above entities are included in the consolidated results of the Group and have an accounting reference date of 31 December.

15. Inventories

Group	2014 £'000	2013 £'000
Raw materials	834	767
Work in progress	184	109
Finished goods	131	187
	1,149	1,063

The Group consumed £7,208,000 (2013: £6,275,000) of inventories during the year.

The Company has £nil (2013: £nil) inventories.

16. Trade and other receivables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Amounts falling due within one year:				
Trade receivables	4,057	3,996	—	—
Less: Provision for impairment of receivables	(105)	(123)	—	—
Trade receivables net	3,952	3,873	—	—
Amounts owed by subsidiary undertakings	—	—	4,388	2,985
Other receivables	107	16	—	—
Prepayments and accrued income	770	874	40	239
	4,829	4,763	4,428	3,224

Credit risk is assessed by reference to the customer base and is considered low. Trade receivables, net of impairment provisions, are due from:

	2014 £'000	2013 £'000
Health authorities	1,145	1,265
Research institutions	725	892
Pharmaceutical companies	2,082	1,627
Other	—	89
Total	3,952	3,873

Any trade receivables that are overdue are assessed for impairment and provision made where applicable. Historically low default levels give rise to specific provision only where responses to collection methods have given rise to such a view. An analysis of receivables is as follows:

	2014 Gross £'000	2014 Net of impairment £'000	2013 Gross £'000	2013 Net of impairment £'000
Not past due	1,959	1,959	2,131	2,131
Past due 0 – 30 days	1,108	1,108	1,068	1,068
Past due 31 – 60 days	515	515	372	372
Past due 61 – 90 days	221	221	212	212
Past due 90+ days	254	149	213	90
Total	4,057	3,952	3,996	3,873

Notes to the Consolidated Financial Statements continued

17. Cash and cash equivalents/(Bank overdraft)

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Cash and cash equivalents/(Bank overdraft)				
Cash at bank and in hand/(Bank overdraft)	2,603	4,158	(176)	2,490

The weighted average interest rate on short term deposits at the year end was 0.5% (2013: 0.5%) and these deposits have an average maturity of nil days (2013: nil days).

18. Trade and other payables

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Current				
Trade payables	2,744	2,837	74	103
Corporation tax	10	83	—	—
Other tax and social security	295	382	3	163
Accruals	984	1,716	233	344
Deferred income	1,248	1,706	—	—
	5,281	6,724	310	610
Non-current				
Deferred income	540	575	—	—

19. Financial liabilities

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Current				
Bank loans	2,081	2,120	2,081	2,120
Finance lease obligations	118	218	—	—
	2,199	2,338	2,081	2,120
Non-current				
Bank loans — repayable in two to five years	4,679	6,700	4,679	6,700
Finance lease obligations	—	118	—	—
Derivative financial liability	20	21	20	21
	4,699	6,839	4,699	6,721

Bank loans and overdrafts of the Group are secured by floating charges over certain assets of the Company and Source BioScience UK Limited.

In September 2013 the Group secured a £9.5 million term loan facility provided by Royal Bank of Scotland, to part fund the acquisition of Vindon Healthcare plc. £6,360,000 of the loan is repayable over three years in equal quarterly instalments with the remaining balance of £3,115,000 payable in equal instalments in March 2017 and September 2017 respectively.

Bank loans are stated net of unamortised arrangement fees of £65,000 (2013: £124,000).

The derivative financial liability represents the fair value at the reporting date of an interest rate swap instrument held to swap variable for fixed interest on the Group's term loan facility.

The weighted average interest rates at the reporting date were as follows:

	2014		2013	
	Fixed %	Variable %	Fixed %	Variable %
Bank loans	5.3	3.7	5.3	3.8
Finance leases	3.7	—	3.7	—

20. Deferred consideration

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Due within one year				
Deferred consideration	—	200	—	200

Deferred consideration was paid on 26 April 2014, the first anniversary of the acquisition of Inverclyde Biologicals Limited.

21. Deferred tax

The following are the deferred tax balances recognised by the Group and movements thereon during the year:

Group	Tax losses £'000	Accelerated tax depreciation £'000	Intangible assets £'000	Other £'000	Total £'000
Deferred tax assets/(liabilities)					
At 1 January 2014	1,580	270	(445)	137	1,542
(Charged)/credited to the profit and loss account	(405)	(175)	136	(7)	(451)
Credited to equity	—	—	—	(37)	(37)
At 31 December 2014	1,175	95	(309)	93	1,054

Company	Tax losses £'000	Other £'000	Total £'000
Deferred tax assets			
At 1 January 2014	541	97	638
Charged to the profit and loss account	(129)	(3)	(132)
Credited to equity	—	(28)	(28)
At 31 December 2014	412	66	478

The following are the major deferred tax assets not recognised by the Group and movements thereon during the current and prior year:

Deferred tax assets	Accelerated tax depreciation £'000	Tax losses £'000	Total £'000
At 1 January 2013	—	329	329
Movement in the year	—	237	237
At 31 December 2013	—	566	566
At 1 January 2014	—	566	566
Movement in the year	—	210	210
At 31 December 2014	—	776	776

Notes to the Consolidated Financial Statements continued

22. Share capital of the company

	2014		2013	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of 2p each	350,000,000	7,000	350,000,000	7,000
<hr/>				
	2014		2013	
	Number	£'000	Number	£'000
Issued and fully paid				
Ordinary shares of 2p each				
At 1 January	313,273,965	6,265	204,783,266	4,096
Issues	300,000	6	108,490,699	2,169
At 31 December	313,573,965	6,271	313,273,965	6,265

All ordinary shares carry equal rights in all respects including rights to vote, receive dividends and participate in any distribution on a winding up.

During the period, a total of 300,000 ordinary shares were issued for cash consideration to satisfy the exercise of share options at various prices, with a share premium of £16,000 arising.

Potential issues of ordinary shares

Certain Directors and employees hold options to subscribe for shares in the Company at prices ranging from 4.63p to 12.38p under the share option schemes approved by shareholders in 1999 and 2001. 300,000 options on shares were exercised in 2014 (2013: 400,000). The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are given below:

Year of grant	Exercise price (pence)	Exercise period	2014 Number	2013 Number
2005	6.25	3 May 2008 to 2 May 2015	175,000	250,000
2006	9.00	14 March 2009 to 13 March 2016	100,000	100,000
2006	6.63	4 September 2009 to 3 September 2016	1,000,000	1,000,000
2007	7.25	8 June 2010 to 7 June 2017	2,650,000	2,750,000
2007	7.75	3 July 2010 to 2 July 2017	3,500,000	3,500,000
2008	7.88	31 March 2011 to 30 March 2018	1,600,000	1,600,000
2009	4.63	31 March 2012 to 30 March 2019	850,000	850,000
2010	8.25	26 April 2013 to 25 April 2020	1,475,000	1,725,000
2011	6.25	24 March 2014 to 23 March 2021	650,000	800,000
2013	9.38	27 September 2016 to 26 September 2023	2,250,000	2,450,000
2013	9.50	21 October 2016 to 20 October 2023	7,200,000	8,050,000
2013	9.50	21 October 2017 to 20 October 2024	900,000	1,050,000
2014	12.38	28 March 2017 to 27 March 2024	1,400,000	—
			23,750,000	24,125,000

23. Share-based compensation

The Group has two share-related schemes in place, being the 1999 unapproved share option scheme and the 2001 Inland Revenue approved share option scheme.

Under both the 1999 unapproved and 2001 Inland Revenue approved schemes (collectively the 'share option schemes'), the Remuneration Committee can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is ten years. Awards under the share option schemes are generally reserved for employees at senior management level and above and 22 employees are currently eligible to participate. There are no reload features. The Group does not make annual grants on a fixed date, but rather at the discretion of the Remuneration Committee.

Options granted under the share option schemes will become exercisable on the third or fourth anniversary of the date of grant.

Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model with modifications to take account of any respective performance criteria. The fair value per option granted and the assumptions used in the calculation are as follows for the options granted in respective of the current and preceding financial year:

Grant date	28 March 2014	21 October 2013	21 October 2013	21 October 2013	21 October 2013	27 September 2013
Share price at grant date (pence)	12.38	9.50	9.50	9.50	9.50	9.38
Exercise price (pence)	12.38	9.50	9.50	9.50	9.50	9.38
Number of employees	16	2	2	2	2	14
Shares under option	1,400,000	900,000	1,100,000	1,100,000	2,000,000	2,250,000
Vesting period (years)	4	4	3	3	3	3
Expected volatility	33.0%	32.4%	30.5%	30.5%	30.5%	30.4%
Option life (years)	7	7	7	7	7	7
Expected life (years)	5	5	4	4	4	4
Risk free rate	1.61%	1.61%	1.27%	1.27%	1.27%	1.20%
Expected dividends expressed as a dividend of yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expectation of options vesting at 31 December 2013	n/a	100%	100%	100%	100%	90%
Expectation of options vesting at 31 December 2014	100%	100%	100%	100%	100%	90%
Expectations of meeting performance criteria	n/a	100%	100%	100%	100%	n/a
Fair value per option (pence)	3.92	2.96	2.46	2.46	2.46	2.42

Notes to the Consolidated Financial Statements continued

23. Share-based compensation continued

The expected life is the average expected period to exercise and the expected volatility is based on historical volatility over the same timeframe. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of option movements over the year to 31 December 2014 is shown below:

	2014		2013	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	24,125,000	8.35	16,834,091	10.52
Granted	1,400,000	12.38	11,550,000	9.47
Forfeited	(1,475,000)	9.01	(3,859,091)	21.60
Exercised	(300,000)	7.58	(400,000)	4.63
Outstanding at 31 December	23,750,000	8.56	24,125,000	8.35
Exercisable at 31 December	12,000,000	7.31	11,775,000	7.38

	2014				2013			
Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of shares	Weighted average remaining life (years):		Weighted average exercise price (pence)	Number of shares	Weighted average remaining life (years):	
			Expected	Contractual			Expected	Contractual
>0.00–5.00	4.63	850,000	0.25	4.25	4.63	850,000	0.25	5.25
>5.00–20.00	8.70	22,900,000	2.24	6.13	8.48	23,275,000	2.17	6.97
>20.00–30.00	—	—	—	—	—	—	—	—
>30.00	—	—	—	—	—	—	—	—

During the year 300,000 share options have been exercised (2013: 400,000).

The total charge for the year, pre-deferred tax, relating to employee share-based payment plans was £90,000 (2013: £30,000); post-deferred tax, the net charge was £53,000 (2013: £65,000). All charges related to equity-settled share-based payment transactions.

24. Share premium account

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
At 1 January	7,768	39	7,768	39
On share issues	16	7,729	16	7,729
At 31 December	7,784	7,768	7,784	7,768

25. Other reserves

Group	Merger reserve £'000	Other reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Translation reserve £'000	Total £'000
Balance at 1 January 2013	1,267	1,136	5	10,788	36	13,232
Currency translation adjustments	—	—	—	—	(38)	(38)
Balance at 31 December 2013	1,267	1,136	5	10,788	(2)	13,194
Balance at 1 January 2014	1,267	1,136	5	10,788	(2)	13,194
Currency translation adjustments	—	—	—	—	38	38
Reclassification of special reserve	—	—	—	(10,788)	—	(10,788)
Balance at 31 December 2014	1,267	1,136	5	—	36	2,444

Company	Merger reserve £'000	Other reserve £'000	Capital redemption reserve £'000	Special reserve £'000	Total £'000
Balance at 1 January 2013	1,267	1,136	5	10,788	13,196
Balance at 31 December 2013	1,267	1,136	5	10,788	13,196
Balance at 1 January 2014	1,267	1,136	5	10,788	13,196
Reclassification of special reserve	—	—	—	(10,788)	(10,788)
Balance at 31 December 2014	1,267	1,136	5	—	2,408

Merger reserve

Under the provisions of the Companies Act, the premium on shares in the Company issued in consideration for the acquisition of subsidiaries, where an interest greater than 90% was acquired, has been credited to a merger reserve. The transactions giving rise to the merger reserve were the acquisitions during 1999 of Fairfield Imaging Limited (£700,000) and Cellpath plc (£567,000).

Other reserve

On 31 January 2001 the Court made an order confirming the reduction in the Company's share capital following a resolution to cancel the deferred shares in issue. The rights attaching to those deferred shares, which were not listed or quoted on any recognised stock exchange, were minimal thereby rendering them effectively valueless. The cancelled nominal value of the shares of £1,136,000 was credited to a non-distributable other reserve.

Capital redemption reserve

During 2003, 250,000 ordinary shares with a nominal value of £5,000 were bought by the Company and were used for the Company's Employee Benefit Trust ('EBT'). The consideration paid for the shares was debited to the EBT reserve. On 30 July 2004 the 250,000 shares were cancelled and the nominal value of the shares was credited to a capital redemption reserve.

Special reserve

On 22 December 2008, the Court made an order approving the cancellation of the Company's share premium account which at that date stood at £32,284,000 (the 'capital reorganisation'). The deficit on the Company's profit and loss account was eliminated and the balance of £10,788,000 was credited to a special reserve. The special reserve may be distributed subject to discharging the obligations imposed by the Court. As at 31 December 2014, those obligations had been discharged and the special reserve has been reclassified to the profit and loss reserve.

Foreign currency translation reserve

As detailed in the Group Statement of Changes in Shareholders' Equity, at 31 December 2014 the Group had a foreign currency translation reserve surplus of £36,000 (2013: deficit of £2,000). As described in note 1, exchange differences arising on the translation of opening net assets and results of overseas operations are reported in the foreign currency translation reserve.

The Company has £nil (2013: £nil) foreign currency translation reserves.

Notes to the Consolidated Financial Statements continued

26. Profit and loss reserve

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Retained earnings at 1 January	(2,825)	(1,132)	799	4,302
Profit/(loss) for the year	934	(1,758)	808	(3,558)
Reclassification of special reserve	10,788	—	10,788	—
Share option scheme – value of employee service	53	65	62	55
Retained earnings at 31 December	8,950	(2,825)	12,457	799

In accordance with the exemption allowed by section 401 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income.

27. Employees and Directors

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Staff costs during the year				
Wages and salaries	5,976	5,566	740	594
Social security costs	634	576	81	73
Pension costs (note 28)	271	245	74	71
Share-based compensation	90	30	69	18
	6,971	6,417	964	756
Less amounts capitalised	(180)	(118)	—	—
	6,791	6,299	964	756

	Group		Company	
	2014 Number	2013 Number	2014 Number	2013 Number
Average number of people employed during the year				
Healthcare	37	36	—	—
LifeSciences	59	59	—	—
Stability & Bio Storage	50	19	—	—
Central services	39	26	8	7
	185	140	8	7

	2014 £'000	2013 £'000
Key management compensation		
Salaries and short term employee benefits	1,068	984
Compensation for loss of office	122	—
Pensions and other post-employment benefits	96	85
Share-based compensation	81	26
	1,367	1,095

The key management figures given above include Executive and Non-Executive Directors together with seven senior managers (2013: eight).

	2014 £'000	2013 £'000
Directors		
Aggregate emoluments	581	531
Compensation for loss of office	122	—
Company contributions to money purchase pension schemes	72	70
	775	601

At the year end three Directors (2013: three) have retirement benefits accruing under money purchase pension schemes.

28. Pension commitments

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

	2014 £'000	2013 £'000
Group		
Defined contribution schemes	271	245

The year end creditor amounted to £93,000 (2013: £120,000).

29. Financial instruments

Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are not materially different to the carrying values shown in the Statement of Financial Position.

The following summarises the major methods and assumptions used in estimating the fair values of the financial instruments.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Fair value hierarchy

Financial instruments carried at fair value are required to be measured by reference to the following levels:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The financial assets have been measured by a Level 1 valuation method. The fair value of these assets at 31 December 2014 was £nil (31 December 2013: £47,000).

The derivative financial instruments have been measured by a Level 2 valuation method. The fair value of the interest swap at 31 December 2014 was £20,000 (31 December 2013: £21,000).

Notes to the Consolidated Financial Statements continued

29. Financial instruments continued

Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group has no significant concentrations of credit risk. The Group has implemented policies that require appropriate credit checks on potential customers before sales commence which is augmented with standard contractual terms and conditions where appropriate.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the reporting date was £6,555,000 (2013: £8,031,000) being the total of the carrying amount of financial assets.

The maximum exposure to credit risk for trade receivables at the reporting date is disclosed in note 16.

The allowance account for trade receivables is used to record impairment losses unless the Group or Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Liquidity risk

Financial risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group maintains a mixture of cash balances and short to medium term treasury deposits designed to ensure that the Group had sufficient available funds for operations and planned capital expenditure. In addition, as referred to in note 19, The Group obtained a term loan facility in 2013 which was used to part fund the purchase of Vindon Healthcare plc. To minimise the exposure to varying cash flows, an interest rate swap was maintained to effectively fix some of the contracted cash flows.

The undiscounted contracted cash flows and maturities of financial liabilities together with their carrying amounts and average effective interest rates at the reporting date are detailed further in the tables overleaf.

Exposure to liquidity risk

The Group has contractual liabilities in relation to its bank loan and finance lease liabilities. Such liabilities are scheduled to mature as described in note 19.

As at 31 December 2014:

Group	Effective rate %	Carrying amount £'000	Contractual cash flows			
			Total £'000	Within one year £'000	Over one year less than two years £'000	Over two years less than five years £'000
Non-derivative financial liabilities						
Bank loans	4.0	6,760	7,239	2,347	1,726	3,166
Finance leases	3.7	118	120	120	—	—
		6,878	7,359	2,467	1,726	3,166
Trade payables	0.0	2,744	2,744	2,744	—	—
Derivative financial liabilities						
Interest rate swap	1.0	20	—	—	—	—
– inflows	—	—	(8)	(8)	—	—
– outflows	—	—	23	23	—	—
		9,462	10,118	5,226	1,726	3,166

Contractual cash flows

Company	Effective rate %	Carrying amount £'000	Total £'000	Within one year £'000	Over one year less than two years £'000	Over two years less than five £'000
Non-derivative financial liabilities						
Bank loans	4.0	6,760	7,239	2,347	1,726	3,166
Finance leases	—	—	—	—	—	—
		6,760	7,239	2,347	1,726	3,166
Trade payables	0.0	74	74	74	—	—
Derivative financial liabilities						
Interest rate swap	1.0	20	—	—	—	—
– inflows	—	—	(8)	(8)	—	—
– outflows	—	—	23	23	—	—
		6,854	7,328	2,436	1,726	3,166

As at 31 December 2013:

Contractual cash flows

Group	Effective rate %	Carrying amount £'000	Total £'000	Within one year £'000	Over one year less than two years £'000	Over two years less than five £'000
Non-derivative financial liabilities						
Bank loans	3.9	8,820	9,677	2,438	2,347	4,892
Finance leases	3.7	336	346	226	120	—
		9,156	10,023	2,664	2,467	4,892
Trade payables	0.0	2,837	2,837	2,837	—	—
Derivative financial liabilities						
Interest rate swap	1.0	21	—	—	—	—
– inflows	—	—	(18)	(10)	(8)	—
– outflows	—	—	51	28	23	—
		12,014	12,893	5,519	2,482	4,892

Contractual cash flows

Company	Effective rate %	Carrying amount £'000	Total £'000	Within one year £'000	Over one year less than two years £'000	Over two years less than five £'000
Non-derivative financial liabilities						
Bank loans	3.9	8,820	9,677	2,438	2,347	4,892
Finance leases	—	—	—	—	—	—
		8,820	9,677	2,438	2,347	4,892
Trade payables	0.0	103	103	103	—	—
Derivative financial liabilities						
Interest rate swap	1.0	21	—	—	—	—
– inflows	—	—	(18)	(10)	(8)	—
– outflows	—	—	51	28	23	—
		8,944	9,813	2,559	2,362	4,892

Notes to the Consolidated Financial Statements continued

29. Financial instruments continued

Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings in financial instruments.

The Group's operations expose it to a variety of financial risks that include foreign currency exchange rates, credit risks and interest rates. The Group has in place a risk management programme that continually assesses the potential adverse effects of these risks on the financial performance of the Group. Appropriate action is taken to mitigate the impact of such risks as necessary.

The Group does not have any material exposure to commodities price risk.

Foreign exchange risk

The Group is exposed to transactional foreign exchange risk on US Dollar and Euro revenues, purchases and cash balances held and translational foreign exchange risk with respect to the Euro and US Dollar net assets/(liabilities) of foreign subsidiaries. At the reporting date this exposure was not assessed as significant enough for the Group to enter into forward foreign exchange contracts to hedge any risk. This position is continually reviewed and appropriate hedging transactions will be entered into where deemed appropriate. The Group continued to hold Euro and US Dollar cash deposits to act as a hedge against foreign exchange transactional risk.

The most significant areas of the Group's exposure to transactional foreign currency risk is as follows:

	Sterling £'000	Euro £'000	US Dollar £'000	Total £'000
31 December 2014				
Trade receivables	3,496	327	234	4,057
Cash and cash equivalents	1,463	822	318	2,603
Trade payables	(2,465)	(104)	(175)	(2,744)
Balance sheet exposure	2,494	1,045	377	3,916
31 December 2013				
Trade receivables	3,222	499	275	3,996
Cash and cash equivalents	3,648	350	160	4,158
Trade payables	(2,387)	(185)	(265)	(2,837)
Balance sheet exposure	4,483	664	170	5,317

The Company does not have any significant exposure to transactional foreign areas of risk.

Sensitivity analysis

A 5% weakening of the following currencies against the pound sterling at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Equity		Profit or loss	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Euro	71	11	55	4
US Dollar	69	9	20	(8)

A 5% strengthening of the above currencies against the pound sterling at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group has both interest-bearing assets and liabilities and the Group's strategy is to minimise any exposure to adverse changes in interest rates on borrowing over the medium term. Surplus cash is invested in a combination of overnight and short term treasury deposits and advantage is taken of the best interest rates available.

The variable rate loans that were taken out to part fund the purchase of Vindon bear interest at LIBOR plus a margin of 2.75% and 3.75% respectively. An interest rate swap bearing LIBOR exists over the period of the loans to effectively fix certain interest rates at a rate of 1.53%.

At the reporting date the profile of the Group's interest-bearing financial instruments was as follows:

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Fixed rate				
Fixed rate debt	(118)	(336)	—	—
Financial instruments	—	—	—	—
Total fixed rate	(118)	(336)	—	—
Variable rate				
Variable rate debt	(6,760)	(8,820)	(6,760)	(8,820)
Financial instruments	(20)	(21)	(20)	(21)
Total variable rate	(6,780)	(8,841)	(6,780)	(8,841)
Total interest-bearing net debt and financial instruments	(6,898)	(9,177)	(6,780)	(8,841)

An interest rate swap is held to fix £1.5 million (2013: £2.0 million) of the variable rate debt.

Sensitivity analysis

An increase of 1% in interest rates would have decreased profit before tax and equity by £63,000 (2013: £21,000).

Capital risk management

The Group's objective when managing capital is to maintain a strong capital base (total equity) to safeguard the ability to continue as a going concern and to maintain investor, creditor and market confidence to sustain the future development of the business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions or business needs. In previous years the Group has operated with negligible debt and has had surplus cash balances which it has utilised to make acquisitions and invest in the organic growth of the business. In 2011 the capital structure changed with the introduction of bank debt to part fund the purchase of the Group's Head Office premises with further funding in 2013 to part fund the purchase of Vindon. The level of net debt however remains modest and the Group will continue to maintain an appropriate balance between the advantages and security provided by a sound capital position and the higher returns that might be possible with higher levels of borrowings.

Notes to the Consolidated Financial Statements continued

29. Financial instruments continued

The table below presents the quantitative data for the components the Group manages as capital.

	2014 £'000	2013 £'000
Shareholders' funds	25,449	24,402
Finance leases	118	336
Bank loans	6,760	8,820
	32,327	33,558

30. Operating lease commitments – minimum lease payments

Group	2014 Property £'000	2013 Property £'000
Commitments under non-cancellable operating leases:		
— within one year	232	163
— later than one year and less than five years	499	371
— after five years	—	12

The Group leases laboratory and distribution facilities under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights.

There were no significant commitments under non-cancellable operating leases in the Company.

31. Financial commitments

Group

Contracted, but not provided, capital commitments as at 31 December 2014 were £nil (2013: £67,000).

Company

The Company had no capital commitments as at 31 December 2014 (31 December 2013: nil).

32. Contingent liabilities

Company

Under the terms of the Group's current banking facilities, the Company was liable for the repayment and discharge of all monies owing in respect of the bank borrowings of certain subsidiary undertakings. At 31 December 2014 this amounted to £nil (2013: £nil).

33. Related party disclosures

The aggregated balances with subsidiaries are shown in notes 16 and 18. These amounts are all due within one year and only certain balances bear interest. There are no material sales to, or purchases from, subsidiary companies. The aggregated balances with subsidiaries have arisen from corporate acquisition or disposal activities by the Company and Group, together with recharges of Group personnel costs and legal and professional fees incurred by the Company.

Key management compensation is disclosed in note 27.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Source BioScience plc ('the Company') will be held at 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX on 11 June 2015 at 10.30am for the following purposes and all resolutions will be proposed as ordinary resolutions save for resolutions 12, 13 and 14 which will be proposed as special resolutions:

1. To receive and approve the Company's annual accounts for the financial year ended 31 December 2014 together with the Directors' Report (including the Strategic Report) and the Auditor's Report.
2. To receive and approve the Directors' Remuneration Policy in the form set out in the Directors' Report on Remuneration in the Company's Annual Report and Accounts for the financial year ended 31 December 2014 (pages 41 to 50 of the 2014 Annual Report and Accounts).
3. To receive and approve the Annual Report on Remuneration in the form set out in the Directors' Report on Remuneration in the Company's Annual Report and Accounts for the financial year ended 31 December 2014 (pages 51 to 61 of the 2014 Annual Report and Accounts).
4. To approve the amendments to the Annual Bonus Plan (ABP), the background and principal terms of which are summarised in the Explanatory Notes to this Notice and shall be produced to the Annual General Meeting. The resolution shall also authorise the Directors of the Company to do all acts and things necessary to establish and carry the ABP into effect.
5. To approve the establishment of the Long-Term Incentive Plan (LTIP), the background and principal terms of which are summarised in the Explanatory Notes to this Notice and shall be produced to the Annual General Meeting. The resolution shall also authorise the Directors of the Company to do all acts and things necessary to establish and carry the LTIP into effect.
6. To re-elect Dr Leaves, who retires by rotation pursuant to the Articles of Association of the Company and provision B.7.1 of the UK Corporate Governance Code and who, being eligible, offers himself for re-election as a Director.
7. To re-elect Dr Foden, who retires by rotation pursuant to the Articles of Association of the Company and provision B.7.1 of the UK Corporate Governance Code and who, being eligible, offers herself for re-election as a Director.
8. To elect Mr Metcalfe, who was appointed as a Director during the year (for biographical details please see page 24).
9. To elect Mrs Liversidge, who was appointed as a Director during the year (for biographical details please see page 25).
10. To appoint KPMG 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.
11. That, pursuant to section 551 of the Companies Act 2006 (the 'Act') the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities:
 - a) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £3,979,461 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph 11(b) of this resolution) in connection with a rights issue (as defined in the Listing Rules published by the Financial Conduct Authority):
 - i. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
 - ii. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - b) otherwise than pursuant to paragraph 11(a) of this resolution, up to an aggregate nominal amount of £1,989,731 (such amount to be reduced by the aggregate nominal amount of Relevant Securities allotted pursuant to paragraph 11(a) of this resolution in excess of £1,989,731), provided that (unless previously revoked, varied or renewed) these authorities shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, on the date 15 months from the date of the passing of this resolution (whichever is the earlier), save that, in each case, the Company may make an offer or agreement before the authority expires which would or might require Relevant Securities to be allotted after the authority expires and the Directors may allot Relevant Securities pursuant to any such offer or agreement as if the authority had not expired.

In this resolution, "Relevant Securities" means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

These authorities are in substitution for and shall replace all existing authorities (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Notice of Annual General Meeting continued

12. That, subject to the passing of resolution 11 above, and pursuant to section 570 of the Act, the Directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authorities granted by resolution 11 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited:
- a) to the allotment of equity securities in connection with an offer of equity securities (but, in the case of an allotment pursuant to the authority granted by paragraph 11(a) of resolution 11, such power shall be limited to the allotment of equity securities in connection with a rights issue (as defined in the Listing Rules published by the Financial Conduct Authority)):
 - i. to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
 - ii. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
 - b) in the case of an allotment pursuant to the authority granted by paragraph 11(b) of resolution 11, to the allotment of equity securities (otherwise than pursuant to paragraph 12(a) of this resolution) up to an aggregate nominal amount of £627,675, representing approximately 10% of the current share capital of the Company, and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the date 15 months from the date of the passing of this resolution (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

This power is in substitution for and shall replace all existing powers (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

13. That, for the purposes of section 701 of the Act, the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 2p each in the capital of the Company ("Ordinary Shares") provided that:
- a) the maximum number of Ordinary Shares which may be purchased is 31,383,765 (representing 10% of the Company's current share capital);
 - b) the minimum price which may be paid for each Ordinary Share is 2p;
 - c) the maximum price which may be paid for each Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the Daily Office List of the London Stock Exchange plc for the five business days immediately preceding the day on which the Ordinary Share in question is purchased;
 - d) unless previously revoked, varied or renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on the date 15 months from the date of the passing of this resolution (whichever is the earlier); and
 - e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which contract or contracts will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.
14. That, as permitted by section 307A of the Act any general meeting of the Company (other than an Annual General Meeting of the Company) shall be called by notice of not less than 14 clear days in accordance with the provisions of the Articles of Association of the Company provided that the authority of this resolution shall expire at the conclusion of the next Annual General Meeting of the Company.

By order of the Board



Dr Nick Ash
Company Secretary
28 April 2015

Registered office:

1 Orchard Place
Nottingham Business Park
Nottingham NG8 6PX

Notes

1. A member of the Company entitled to attend and vote at the meeting convened by this Notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak and vote at that meeting on his behalf. If a member appoints more than one proxy, each proxy must be entitled to exercise the rights attached to different shares. You may not appoint more than one proxy to exercise rights attaching to any one share. A proxy need not be a member of the Company.
2. A proxy may only be appointed using the procedures set out in these notes and the notes to the proxy form. To appoint a proxy, a member may complete, sign and date the enclosed proxy form and deposit it at the office of the Company's Registrar, Equiniti, at Aspect House, Spencer Road, Lancing BN99 6DA no later than 48 hours before the start of the meeting. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form.
You may, if you wish, register the appointment of 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.
3. In order to revoke a proxy appointment, a member must sign and date a notice clearly stating their intention to revoke their proxy appointment and deposit it at the office of the Company's Registrar, Equiniti, at Aspect House, Spencer Road, Lancing BN99 6DA no later than 48 hours before the start of the meeting.
4. 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.

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 (available via www.euroclear.com). 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.

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.

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.

Notice of Annual General Meeting continued

5. Any 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.
6. 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 6pm on 9 June 2015, or, if the meeting is adjourned, at 6pm 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.
7. Completion of the proxy form does not preclude attendance at the meeting. If you wish to attend the meeting in person, only those persons whose names are entered on the register of members of the Company at 6pm on 9 June 2015 or, if the meeting is adjourned, at 6pm 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.
8. 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 6pm on 10 June 2015.
9. 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.
10. As at 12.00pm on 28 April 2015, the Company's issued share capital comprised 313,837,652 ordinary shares of 2p 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 28 April 2015 is 313,837,652.
11. Copies of the service contracts and letters of appointment of the Directors of the Company will be available at the place of the meeting:
 - 11.1 for at least 15 minutes prior to the meeting; and
 - 11.2 during the meeting.
12. If you are a person who has been nominated under section 146 of the Act to enjoy information rights (a 'Nominated Person') you may, under an agreement between you and the member of the Company who has nominated you, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If you do not have such a proxy appointment right, or you do but do not wish to exercise it, you may have a right to give instructions to the member who has nominated you as to the exercise of voting rights. If you are a Nominated Person, the statements of the rights of members in relation to notes 1 to 8 above do not apply. The rights described in those notes can only be exercised by a registered member of the Company.
13. 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.sourcebioscience.com.
14. 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:
 - 14.1 answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - 14.2 the answer has already been given on a website in the form of an answer to a question; or
 - 14.3 it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
15. Subject to the provisions of sections 338 and 338A of the Act, members representing at least 5% of the total voting rights of all members (or at least 100 members who have the right to vote at the meeting and who hold shares on which there has been paid up an average sum per member of at least £100) may:
 - 15.1 require the Company to give, to members of the Company entitled to receive notice of the Annual General Meeting, notice of a resolution which may properly be moved and is intended to be moved at that meeting; and
 - 15.2 request the Company to include in the business to be dealt with at the Annual General Meeting any matter (other than a proposed resolution) which may properly be included in the business.

16. Subject to the provisions of Chapter 5 of Part 16 of the Act, members representing at least 5% of the total voting rights of all members (or at least 100 members who have the right to vote at the meeting and who hold shares on which there has been paid up an average sum per member of at least £100) may require the Company to publish on a website a statement setting out any matter that such members propose to raise at the meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting. Where the Company is required to publish such a statement on its website:

16.1 it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;

16.2 it must forward the statement to the Company's auditor no later than the time the statement is made available on the Company's website; and

16.3 the statement may be dealt with as part of the business of the meeting.

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 advisor authorised under the Financial Services and Markets Act 2000.

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.

Explanatory Notes to the Notice of Annual General Meeting

Resolution 1 — Annual Report and Accounts

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

Resolutions 2 and 3 — Annual Report and Accounts

The Directors' Report on Remuneration in the 2014 Annual Report and Accounts contains:

- the Annual Statement, as in previous years, by Dr Foden, Chairman of the Remuneration Committee
- the Directors' Remuneration Policy, which describes the Company's policy relating to Directors' remuneration (including any future exit payments) with effect from 11 June 2015; and
- the Annual Report on Remuneration which sets out payments made during the financial year ended 31 December 2014 and explains how the Remuneration Policy will be implemented in 2015

The Directors' Remuneration Policy is set out on pages 41 to 50 of the Annual Report and is subject to a binding shareholder vote by ordinary resolution at least every three years (resolution 2).

If approved by shareholders the Directors' Remuneration Policy will become effective following the Annual General Meeting on 11 June 2015. At 28 April 2015 (the latest practicable date prior to publication of this document) no payments are being made to former Directors. With effect from 11 June 2015 any payments not in line with this policy will require a separate ordinary resolution to be put to a general meeting. Any future changes to the Directors' Remuneration Policy will also require further shareholder approval.

If the Directors' Remuneration Policy is not approved by shareholders on 11 June 2015 then, to the extent permitted by the Act, the Company will continue to make payments to Directors in accordance with existing contractual arrangements and will seek shareholder approval for a revised policy as soon as practicable.

Dr Foden's Annual Statement and the Annual Report on Remuneration are set out on pages 37 to 40 and 51 to 61. As in previous years this is subject to an advisory vote by ordinary resolution (resolution 3).

Resolutions 4 and 5 — Annual Bonus Plan and Long-Term Incentive Plan (further details on pages 110 to 115)

During the last year we have completed a number of significant infrastructure projects to improve operational efficiencies and enhance capacity to meet the growing demand for our products and services. The success of these projects has helped to deliver integration, both operationally and commercially, resulting in significant increases to revenue and gross margin. Source BioScience now offers a broad portfolio of laboratory services and products, and a more diversified and balanced business with outstanding opportunity for expansion.

To support the Company in its next stage of development, the Remuneration Committee has reviewed the remuneration structure at Source BioScience. The purpose of our review was to ensure that the remuneration structure can appropriately attract, retain and motivate high quality executives who are critical to the execution of our business strategy and that the interests of the Executive Directors are closely aligned with those of shareholders.

Notice of Annual General Meeting continued

Resolutions 6 to 9 — Election of Directors

The following Directors will stand for re-election in accordance with the UK Corporate Governance Code:

- Dr Leaves
- Dr Foden

The following Directors will stand for election, this being their first Annual General Meeting since appointment:

- Mr Metcalfe
- Mrs Liversidge

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

Biographical details for each of the Directors are located on pages 24 to 25 of the 2014 Annual Report and Accounts.

Resolution 10 — Appointment of auditor

The Company is required to appoint an auditor at each meeting at which accounts are presented. KPMG LLP have indicated their willingness to be appointed to office. Accordingly, resolution 10, subject to the approval of the shareholders of the Company, appoints KPMG LLP as auditor of the Company and authorises the Directors to determine the remuneration of the auditor.

Resolution 11 — Directors' power to allot relevant 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.

In line with guidance issued by the ABI, if passed, part one of resolution 11 in paragraph 11(a) will authorise the Directors to allot ordinary shares in the Company (and to grant rights to subscribe for, or to convert any security into, ordinary shares in the Company) in connection with a rights issue only up to an aggregate nominal amount of £3,979,461 (as reduced by the aggregate nominal amount of any shares allotted or rights granted under paragraph 11(b) of resolution 11). This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital of the Company as at 28 April 2015, being the last practicable date before the publication of this document. The Directors intend to follow emerging best practice as regards the use of this authority, including as to the requirement for Directors to stand for re-election.

If passed, part two of resolution 11 in paragraph 11(b) will authorise the Directors to allot shares in the Company (and to grant rights to subscribe for, or to convert any security into, shares in the Company) up to an aggregate nominal amount of £1,989,731 (as reduced by the aggregate nominal amount of any shares allotted or rights granted under paragraph 11(a) of resolution 11 in excess of £1,989,731). This amount (before any reduction) represents approximately one-third of the issued ordinary share capital of the Company as at 28 April 2015, being the last practicable date before the publication of this document.

If given, these authorities will expire at the conclusion of the Company's next Annual General Meeting or 15 months from the passing of the resolution (whichever is earlier). It is the Directors' intention to renew the allotment authority each year. The Directors have no current intention to exercise either of the authorities sought under resolution 11. However, the Directors consider that it is in the best interests of the Company to have the authorities available so that they have the maximum flexibility permitted by institutional shareholder guidelines to allot shares or grant rights without the need for a general meeting should they determine that it is appropriate to do so to respond to market developments or to take advantage of business opportunities as they arise.

Resolution 12 — Disapplication of pre-emption rights on equity issues for cash

Resolution 12, if passed, would enable the Directors to allot shares for cash on a non pre-emptive basis in limited circumstances. It is proposed to authorise the Directors to issue shares for cash up to an aggregate nominal amount of 627,675 (which represents approximately 10% of the Company's issued share capital as at 28 April 2015), without having to first offer them to shareholders in proportion to their existing holdings. In addition, in accordance with normal practice, the resolution would enable the Board to deal with overseas shareholders and fractional entitlements as it thinks fit in the context of any rights issue or open offer.

If given, this authority will expire at the conclusion of the Company's next Annual General Meeting or 15 months from the passing of the resolution (whichever is earlier). It is the Directors' intention to renew this authority each year.

There are no present plans to exercise this authority.

Resolution 13 — Market purchases of own shares

A company may only purchase its own shares by either an off-market purchase, in pursuance of a contract approved in advance in accordance with section 694 of the Act or by a market purchase, authorised in accordance with section 701 of the Act. A 'market purchase' is one made through a 'recognised investment exchange'. Although the Act only requires an ordinary resolution, LR12.4.7 of the Listing Rules requires the resolution to be passed as a special resolution (the ABI also recommend that the resolution should be passed as a special resolution). This resolution 13 authorises market purchases of the Company's own shares to be made but only within the limitations specified. In accordance with ABI guidelines the maximum number of shares purchased under this authority must not exceed 10% of the Company's current share capital. The resolution also states the maximum and minimum prices which may be paid; being no more than 5% above the average market value of the Company's shares for the five business days prior to the purchase. As recommended by the ABI the Company renews this authority on an annual basis at each Annual General Meeting.

The Directors have no current intention of exercising this authority to purchase the Company's ordinary shares. The Company will only exercise this authority to make such a purchase in the market if the Directors consider it is in the best interests of the shareholders generally to do so.

The Company is permitted to hold shares it has purchased in treasury, as an alternative to cancelling them. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy options exercised under any of the Company's share schemes. Whilst held in treasury, the shares are not entitled to receive any dividend or dividend equivalent (apart from any issue of bonus shares) and have no voting rights. The Directors believe it is appropriate for the Company to have the option to hold its own shares in treasury if, at a future date, the Directors exercise this authority. The Directors will have regard to investor group guidelines which may be in force at the time of any such purchase, holding or re-sale of shares held in treasury.

If given, this authority will expire at the conclusion of the Company's next Annual General Meeting or 15 months after the passing of the resolution (whichever is earlier). It is the Directors' intention to renew this authority each year.

Resolution 14 — Notice period of 14 days for general meetings

The shareholders of the Company approved a resolution to call general meetings (other than Annual General Meetings) on 14 clear days' notice at last year's Annual General Meeting. Resolution 14 seeks approval to renew this right until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for such meetings, but only where flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole and the matter to be considered is time sensitive. The Company meets the requirements for electronic voting under the Directive.

Notice of Annual General Meeting continued

Explanatory Notes of Principal Changes to the Company's Remuneration Policy

Resolutions 4 and 5 — Annual Bonus Plan and Long-Term Incentive Plan

The amended Annual Bonus Plan (ABP)

Following the review, the proposal is to enhance the Annual Bonus opportunity to 100% of salary (currently 50%) to ensure that total compensation levels are competitive in the market given the Committee's conservative approach to setting base salaries for Executive Directors.

Up to 50% of salary will be paid in cash. Any bonus earned in excess of 50% will be granted as shares subject to a three year lock in period. The restriction, or lock in, on the bonus shares acts as a retention tool for our Executive Directors and allows them to build up a meaningful equity stake in the Company, providing alignment of their interests to shareholders.

The summary of the terms of the ABP are provided on pages 111 to 112.

The new Long-Term Incentive Plan (LTIP)

The proposal is to replace the existing Share Option Plan with share awards to be made under a new Long-Term Incentive Plan. The vesting of the shares will be based on the Company's achievement of three year performance targets which are aligned to the Company's business plan. The 2015 LTIP award will be contingent on the achievement of stretching Profit Before Tax and EBITDA targets, which are key financial metrics to our business. The introduction of performance measures to determine the vesting of our long-term incentive focuses our Executive Directors on executing and delivering against our business strategy through the assessment of performance against the measures key to our business. Profit and EBITDA growth captures our growth in sales, margin efficiency and improved cash generation which are the key metrics to our business and its long-term development.

The summary of the terms of the LTIP are provided on pages 113 to 115.

The proposed levels of awards for the LTIP

The proposed initial award levels to be made in 2015 are 160% of salary for the Executive Directors. The on-going annual award is proposed to be 100% of salary per annum. The Remuneration Committee will retain discretion in exceptional circumstances to make awards up to 200% of salary.

The performance conditions

Awards granted under the LTIP will be subject to continued employment, satisfaction of the performance conditions and any other terms or conditions determined at grant. Performance will be measured at the end of a three year performance period for each element. The measures have been selected as a transparent assessment of the successful execution of the business strategy. Profit and EBITDA growth captures our growth in sales, margin efficiency and improved cash generation which are the key metrics to our business and its long-term development.

	Threshold	Target	Maximum
PBT			
(compound annual growth)	6.3%	11.9%	17.1%
(50% of award)			
EBITDA			
(compound annual growth)	3.0%	8.5%	13.6%
(50% of award)			
Vesting level for condition	25%	62.5%	100%

There will be straight line vesting between the respective points for both the performance conditions.

Governance and best practice

To ensure there is further alignment between the Executive Directors and shareholders, the Committee are proposing the make the following amendments to the Remuneration Policy for 2015:

- implement a shareholding guideline of 100% of salary to be built up over a five year period and subsequently maintained
- embed clawback and malus provisions into the amended Annual Bonus Plan and the new Long-Term Incentive Plan

The proposed changes will bring the Company in line with the corporate governance and market best practice with respect to incentive design. The requirement to build up and maintain a material shareholding in the Company creates greater alignment of our Executive Directors with shareholder interests over the long-term.

Summary of terms of the proposed Annual Bonus Plan (ABP)

Element	Annual Bonus Plan
Plan operation	<ul style="list-style-type: none"> • Annual payment in cash and shares (in the form of restricted shares or nil cost options) • Maximum annual bonus opportunity of up to 100% of salary of which anything up to 50% (of salary) is paid in cash and anything above 50% (of salary) is paid in shares ("Annual Bonus Shares") • Annual Bonus Shares are subject to a three year lock in period • At the end of the lock in period the shares vest and the Executives are free to sell the shares, but always recognising the requirement to achieve a shareholding equivalent to 100% of salary • Participants include the Executive Directors and senior managers
Performance conditions	<ul style="list-style-type: none"> • The Remuneration Committee will set the performance targets for the Annual Bonus Plan at the beginning of the relevant financial year • Annual bonus performance conditions to be a combination of financial measures and non-financial measures which will be specific to the individual, their role and responsibilities and will be set each year as part of our Annual Appraisal process
Clawback and malus	<p>Clawback is the recovery of payments under the LTIP as a result of the occurrence of one or more reasons listed below. The Remuneration Committee may apply clawback to all or part of a participant's Award</p> <p>Malus is the adjustment of outstanding share awards under the LTIP (at the vesting of an Award or any time before) as a result of the occurrence of one or more reasons listed below:</p> <ul style="list-style-type: none"> • discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company • the assessment of any performance target or condition in respect of an award was based on error, or inaccurate or misleading information • the discovery that any information used to determine the number of shares subject to an award was based on error, or inaccurate or misleading information • action or conduct of an award holder which, in the reasonable opinion of the Board, amounts to fraud or gross misconduct • events or behaviour of an award holder have led to the censure of the Company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group Company provided that the Board is satisfied that the relevant award holder was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the award holder <p>The adjustment may result in the value being reduced to zero</p>
Cessation of employment	<ul style="list-style-type: none"> • Good leaver/ bad leaver provisions apply to the Annual Bonus Share awards • If the individual is deemed as a "good leaver", Awards will vest at the end of the restriction period • If the individual is deemed as a "bad leaver" unvested Annual Bonus Share awards will lapse • The Remuneration Committee has overarching discretion to determine whether the individual is a good or bad leaver, to accelerate the potential payout of the bonus and the number of shares that will vest, taking into account such factors as the Committee may consider relevant including, but not limited to, the time the Award has been held by the Award Holder

Notice of Annual General Meeting continued

Summary of terms of the proposed Annual Bonus Plan (ABP) continued

Element	Annual Bonus Plan
Cessation of employment continued	<ul style="list-style-type: none"> A "good leaver" is defined as a participant ceasing to be in Employment by retirement, injury or disability, redundancy, transfer or sale of the employing company or other circumstances at the discretion of the Committee The Award Holder shall be entitled to exercise vested options at any time during the period ending 6 months after the normal time of vesting or 12 month period following death or during such other longer period as the Committee determines
Change of control	<ul style="list-style-type: none"> All unvested awards will vest and any restrictions lifted on a change of control "Control" is defined as 51% or more of the shares in the Company being transferred to a party that is not an existing shareholder at the time of grant (i.e. trade sale and/or de-listing)
Dilution limits	<ul style="list-style-type: none"> Where the annual bonus is paid in shares, the number of shares allocated under awards in a ten year period and which are to be satisfied by newly issued or treasury shares cannot exceed 10% of the Company's issued share capital In addition to newly issued shares and treasury shares, awards can be settled through the use of market purchased shares
Non-transferability of Awards	<ul style="list-style-type: none"> Awards are not transferable other than to the participant's personal representatives
Allotment and transfer of shares	<ul style="list-style-type: none"> Any shares allotted or transferred under the ABP will rank equally with shares then in issue (except for rights arising in reference to a record date prior to their allotment or transfer) Applications will be made to the UK Listing Authority and the London Stock Exchange in order to obtain the relevant approvals for admission to trading for new shares that are issued pursuant to the ABP
Adjustment of Awards	<ul style="list-style-type: none"> The number of shares over which Award is granted, the award price (where relevant) or the description of the shares may be adjusted by the Remuneration Committee in such manner as it shall determine following any variation in the share capital including a capitalisation issue, rights issue, demerger or other distribution, a special dividend or distribution, rights offer or bonus issue, sub-division, consolidation or reduction in the capital of the Company
Amendments	<ul style="list-style-type: none"> Amendments to the ABP rules may be made at the discretion of the Remuneration Committee However, the basis for determining a participant's entitlement to be made an Award and/or acquire shares, the persons to whom an Award may be made, the limitations on the number of shares over which Awards can be made, individual participation limits and the adjustments that may be made following a variation of share capital cannot be altered to the advantage of participants without prior shareholder approval, except for minor amendments to benefit the administration of the ABP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Group. Shareholder approval will also not be required for any amendments to any performance conditions applying to an Award
General	<ul style="list-style-type: none"> Awards and any other rights granted pursuant to the Plan are non-pensionable

Note: This summary outlines the main features of the ABP rules, but does not form part of them, and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. The rules governing the ABP are available for inspection at the Company's registered address of 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX during the usual office hours (Saturdays, Sundays and statutory holidays excepted) up to and including the date of the Annual General Meeting of the Company, and at the meeting itself. The Directors reserve the right, up to the time of the meeting, to make such amendments and additions to the rules of the ABP as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this document.

Summary of terms of the proposed Long-Term Incentive Plan (LTIP)

Element	LTIP																
Plan operation	<ul style="list-style-type: none">Annual awards of performance shares (in the form of nil-cost options) are made subject to continued employment and satisfaction performance conditions which are met over a three year period under the new 2015 LTIP; subject to approval by shareholders at the 2015 Annual General MeetingParticipants include the Executive Directors and Senior Managers																
Individual opportunity	<ul style="list-style-type: none">The proposed initial awards to be made in 2015 are 160% of salary for the Executive DirectorsThe on-going award is proposed to be 100% of salary per annumThe Remuneration Committee will retain discretion in exceptional circumstances to make awards up to 200% of salary																
Performance conditions	<p>For the 2015 LTIP award:</p> <table><tr><td></td><td>Threshold</td><td>Target</td><td>Maximum</td></tr><tr><td>PBT (compound annual growth) (50% of award)</td><td>6.3%</td><td>11.9%</td><td>17.1%</td></tr><tr><td>EBITDA (compound annual growth) (50% of award)</td><td>3.0%</td><td>8.5%</td><td>13.6%</td></tr><tr><td>Vesting level for condition</td><td>25%</td><td>62.5%</td><td>100%</td></tr></table> <p>There will be straight line vesting between the respective points for both the performance conditions</p>		Threshold	Target	Maximum	PBT (compound annual growth) (50% of award)	6.3%	11.9%	17.1%	EBITDA (compound annual growth) (50% of award)	3.0%	8.5%	13.6%	Vesting level for condition	25%	62.5%	100%
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Vesting level for condition	25%	62.5%	100%														
Clawback and malus	<p>Clawback is the recovery of payments under the LTIP as a result of the occurrence of one or more reasons listed below. The Remuneration Committee may apply clawback to all or part of a participant's Award</p> <p>Malus is the adjustment of outstanding share awards under the LTIP (at the vesting of an Award or any time before) as a result of the occurrence of one or more reasons listed below:</p> <ul style="list-style-type: none">discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Companythe assessment of any performance target or condition in respect of an award was based on error, or inaccurate or misleading informationthe discovery that any information used to determine the number of shares subject to an award was based on error, or inaccurate or misleading informationaction or conduct of an award holder which, in the reasonable opinion of the Board, amounts to fraud or gross misconductevents or behaviour of an award holder have led to the censure of the Company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group Company provided that the Board is satisfied that the relevant award holder was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the award holder <p>The adjustment may result in the value being reduced to zero</p>																

Notice of Annual General Meeting continued

Summary of terms of the proposed Long-Term Incentive Plan (LTIP) continued

Element	LTIP
Cessation of employment	<ul style="list-style-type: none"> For "good leavers" unvested awards will vest on the usual vesting date but pro-rated for time served and if the performance conditions have been achieved as assessed by the Remuneration Committee A "good leaver" is defined as a participant ceasing to be in Employment by retirement, injury or disability, redundancy, transfer or sale of the employing company or other circumstances at the discretion of the Committee The Award Holder shall be entitled to exercise vested options at any time during the period ending 6 months after the normal time of vesting or 12 month period following death or during such other longer period as the Committee determines
Change of control	<ul style="list-style-type: none"> All unvested awards will vest on a change of control The Remuneration Committee will retain the discretion to review the satisfaction of the performance conditions and whether it is appropriate for the time elapsed from the date of award to be a factor in determining the final number of long-term incentive vesting on a change of control "Control" is defined as 51% or more of the shares in the Company being transferred to a party that is not an existing shareholder at the time of grant (i.e. trade sale and/or de-listing)
Dilution limits	<ul style="list-style-type: none"> Number of shares allocated under awards in a ten year period and which are to be satisfied by newly issued or treasury shares cannot exceed 10% of the Company's issued share capital In addition to newly issued shares and treasury shares, awards can be settled through the use of market purchase shares
Non-transferability of Awards	<ul style="list-style-type: none"> Awards are not transferable other than to the participant's personal representatives
Allotment and transfer of shares	<ul style="list-style-type: none"> Any shares allotted or transferred under the LTIP will rank equally with shares then in issue (except for rights arising in reference to a record date prior to their allotment or transfer) Applications will be made to the UK Listing Authority and the London Stock Exchange in order to obtain the relevant approvals for admission to trading for new shares that are issued pursuant to the LTIP
Adjustment of Awards	<ul style="list-style-type: none"> The number of shares over which Award is granted, the award price (where relevant) or the description of the shares may be adjusted by the Remuneration Committee in such manner as it shall determine following any variation in the share capital including a capitalisation issue, rights issue, demerger or other distribution, a special dividend or distribution, rights offer or bonus issue, sub-division, consolidation or reduction in the capital of the Company

Element

LTIP

Amendments

- Amendments to the LTIP rules may be made at the discretion of the Remuneration Committee
- However, the basis for determining a participant's entitlement to be made an Award and/or acquire shares, the persons to whom an Award may be made, the limitations on the number of shares over which Awards can be made, individual participation limits and the adjustments that may be made following a variation of share capital cannot be altered to the advantage of participants without prior shareholder approval, except for minor amendments to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Group
- Shareholder approval will also not be required for any amendments to any performance conditions applying to an Award

General

- Awards and any other rights granted pursuant to the Plan are non-pensionable

Note: This summary outlines the main features of the LTIP rules, but does not form part of them, and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. The rules governing the LTIP are available for inspection at the Company's registered address of 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX during the usual office hours (Saturdays, Sundays and statutory holidays excepted) up to and including the date of the Annual General Meeting of the Company, and at the meeting itself. The Directors reserve the right, up to the time of the meeting, to make such amendments and additions to the rules of the LTIP as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this document.

Glossary

Antibodies

Proteins that are found in blood or other bodily fluids; they are naturally used by the immune system to identify and neutralise foreign objects, such as bacteria and viruses. Experimentally, antibodies are also used as highly specific probes for detecting proteins of interest in tissues. A wide range of antibodies with a large variety of cellular targets is available to research scientists through distributors such as Source BioScience.

BRAF

The BRAF gene encodes a signalling protein. Mutations of the BRAF gene are quite common in melanoma and colorectal cancer. In colorectal cancer, such mutations make a tumour resistant to inhibitors of the EGFR signalling pathway.

Bioinformatics

The application of information technology, and computer science, to the field of molecular biology. Common activities in bioinformatics include mapping and analysing DNA and protein sequences, aligning different DNA sequences to compare them and handling and analysing huge data sets generated by the latest genomic technologies.

Biomarkers

Biomarkers often refer to substances found in blood, urine or tissue, changes in which may be used to indicate presence of disease or response to treatment. More generally the term biomarker refers to any molecule that can be used to monitor a particular cellular process and may be a protein, DNA or RNA molecule.

Bio-repository

A biological materials repository that collects, processes, stores and distributes bio-specimens to support future scientific investigation.

Blood Bank

A cache or bank of blood components, gathered as a result of blood donation or collection, stored and preserved for later use.

Blood group serology reagents

A group of reagents which are used to test for the presence or absence of antigens in the blood and determine the blood group.

Capillary Electrophoresis DNA Sequencing (also known as Sanger sequencing or conventional sequencing)

DNA sequences are determined using a chemical reaction that results in an array of products that terminate in a different fluorescent coloured dye, which vary in size by one nucleotide. The products are separated, like the rungs of a ladder, by passing them through a capillary with an electric current and determining the order in which they emerge. This method remains the best way of inexpensively analysing large numbers of small sets of samples (see also Next Generation DNA Sequencing below).

Care Quality Commission ('CQC')

As a provider of healthcare laboratory and pathology services to the NHS, which is a regulated activity under the Health and Social Care Act 2008, we are required to be registered with the CQC, a government body established to regulate and inspect health and social care services in England, and ensure organisations maintain good standards and follow appropriate procedures.

Circulating Tumour Cells ('CTC')

The identification of small numbers of cancer cells circulating in the blood has been shown to be of potential prognostic significance in breast cancer, colorectal or prostate cancer, and useful for monitoring response to drug therapy.

Clinical Pathology Accreditation ('CPA')

CPA is the accreditation body for clinical pathology services in the UK. Accreditation involves audit of the ability of a laboratory to provide a service of high and consistent quality by declaring a defined standard of practice, which is performed by the CPA accreditation body.

Clone

A section of DNA sequence, such as a gene, that is isolated from an organism and can be endlessly replicated by genetic engineering techniques.

Clone libraries

A clone library is a collection of clones containing complementary DNA ('cDNA') (see below) and is often intended to represent the genes that are expressed within a given cell or tissue type at a given period.

Companion Diagnostic

A test based on a biomarker (which might be a protein, DNA or RNA molecule), the presence or absence of which is associated with the likely efficacy of a drug or other treatment. Companion diagnostics are useful in stratifying patients into groups which are known to respond in a particular way to a drug. A good example of such a test from the Source BioScience breast cancer portfolio is the HER2 test, which assesses levels of the HER2 protein, expression of which is correlated with response to Herceptin™.

Cryobank

A bank of cells or whole tissues which are stored at sub-zero temperatures to reduce the amount of chemical reactivity in order to preserve them. At Source BioScience the cryobank operates at minus 196 Celsius using liquid nitrogen storage facilities.

CYP2D6

Breast cancer patients with certain genetic variations in the CYP2D6 gene may be slow metabolisers of the drug tamoxifen to its active metabolite endoxifen. In this case changes to the treatment regime may be indicated because the efficacy of the drug is reduced.

Deoxyribo Nucleic Acid (DNA) and complementary DNA (cDNA)

DNA is a large, complex molecule which, by virtue of a unique sequence of building blocks, contains all the genetic information required to create a cell or organism. cDNA can be made from all the genes in a genome, from a single gene, or from part of a gene. cDNA is DNA that has been synthesised artificially using an RNA template (see below) from the gene(s) selected.

Duty of Care Review

An audit of a specific pathologist's practice. Pathology departments have a duty of care to patients whose treatment or clinical management may need to be changed in the light of revised opinions arising from a review of a pathologist's or team's work. Where good practice is suspected to have broken down it may be necessary to arrange a systematic review of cases to fulfil a department's duty of care to their patients. Source BioScience offers a full duty of care review service to pathology departments that need specialist second opinion in these circumstances.

EGFR mutation testing

Human EGFR is a cellular transmembrane receptor found on the surface of cells. Clinicians wishing to prescribe gefitinib (Iressa™) for lung cancer patients are required to confirm the presence of a number of mutations found in the tyrosine kinase domain on the EGFR gene.

US Food and Drug Administration ('FDA')

The FDA is an agency of the US Department of Health and Human Services and is responsible for protecting the public health by assuring the safety, efficacy and security of human and veterinary drugs, biological products, medical devices, cosmetics and items that emit radiation.

Fluorescence *in situ* Hybridisation ('FISH')

In situ hybridisation ('ISH') is a powerful technique, not unlike immunohistochemistry (below), for visualising the presence of specific sequences of DNA or RNA in cells. The technique uses short synthetic sequences of DNA or RNA which will bind, or hybridise, to the tissue with high specificity for the DNA or RNA of interest within the issue. Fluorescent 'tags' are attached to these synthetic sequences, allowing them to be visualised with a special microscope, even when present at very low levels (FISH).

FocalPoint™

An automated imaging system for screening SurePath™ liquid based cytology slides. Using complex algorithms it interprets the images of each slide using the same morphologic features used during screening with the human eye. It can archive up to 25% of cases as requiring "no further review" ('NFR') which then do not need to be manually primary screened.

GenomeCUBE®

Source BioScience's proprietary database, search engine and e-commerce tool for Life Science products. GenomeCUBE® contains over 20 million clones and over 100,000 antibodies all of which contain downloadable annotation. GenomeCUBE® is available in foreign language and foreign currency versions.

Genomics

The study of an organism's genome, where the genome of an organism is its whole hereditary information and is encoded in the DNA (see above) and RNA (see below). This includes both the genes and the non-coding sequences of the DNA.

Genomic products and reagents

In this instance, DNA or RNA extracted and purified from a range of species and provided in a variety of forms for research purposes.

Genotyping and sequencing

DNA sequencing is the process of precisely determining the order of the building blocks, or nucleotides, of an organism's DNA. The method can be used to determine short sequences of DNA or, in larger experiments, to sequence the entire genome of an organism. Genotyping, in turn, is the process whereby DNA is characterised and then compared to reference data or, if large numbers of samples are genotyped, the data can be examined for patterns which might lead to discoveries of the fundamental causes of inherited diseases. Genotyping is commonly performed by PCR (below) or DNA sequencing.

Good Clinical Practice ('GCP')

GCP is an international ethical and scientific quality standard for designing, conducting, recording and reporting clinical trials that involve the participation of human subjects. Compliance with this standard provides public assurance that the rights, safety and well-being of trial subjects are protected, consistent with principles that have their origin in the Declaration of Helsinki. Compliance with the principles of GCP is assured via monitoring by a governmental agency, the Medicines and Healthcare products Regulatory Agency ('MHRA').

Glossary continued

Good Laboratory Practice ('GLP')

GLP is a set of principles that provides a framework within which laboratory studies are planned, performed, monitored, recorded, reported and archived. These studies are undertaken to generate data by which the hazards and risks to users can be assessed for pharmaceuticals (only preclinical studies). GLP helps assure regulatory authorities that data submitted is a true reflection of the results obtained during the study and can therefore be relied upon when making risk/safety assessments. Compliance with the principles of GLP is assured via monitoring by the Medicines and Healthcare products Regulatory Agency ('MHRA').

Good Manufacturing Practice ('GMP')

GMP is that part of Quality Management which ensures that products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the Marketing Authorisation, Clinical Trial Authorisation or product specification. GMP ensures that medicinal products do not place patients at risk due to inadequate safety, quality or efficacy. Compliance with the principle of GMP is assured via monitoring by the appropriate regulatory agency, e.g. Medicines and Healthcare products Regulatory Agency ('MHRA').

Human Epidermal Growth Factor Receptor 2 (HER2)

HER2 is a protein the over-expression of which within a breast or gastric/gastro-oesophageal tumour sample may indicate a patient is suitable for treatment with Herceptin™. A test for such over-expression is carried out on all new breast cancer patients or patients with advanced stomach cancer.

Human Papilloma Virus ('HPV')

HPV is a family of viruses that commonly infect human tissues. Several members of this family in particular genotype 16 & 18 are sexually transmitted and persistent infection with these subtypes plays a key role in the development of cervical intraepithelial neoplasia (CIN) and invasive cancer of the cervix. HPV infection is also associated with other cancers, including those of the head and neck.

Histopathology

The study of changes in tissues and cells as a consequence of some disease or toxic processes.

Human Tissue Authority ('HTA')

The HTA licenses organisations that store and use human tissue for purposes such as research, patient treatment, post-mortem examination, teaching and public exhibitions. The HTA also inspect organisations to check that they maintain good standards and follow appropriate procedures against the legislation of the Human Tissue Act 2004.

ICH Tripartite Guidelines

Guidelines created by the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use ('ICH') to promote good clinical practice.

Immunohistochemistry ('IHC')

IHC is a technique for visualising proteins and other molecules in thin sections of tissue. This technique uses antibodies raised in other species against the protein of interest as a tool, and exploits their exquisite sensitivity and specificity for binding to that protein.

ISO9001

ISO9001 is a universal quality management system which Source BioScience holds for various aspects of its business where there are not more stringent programmes available.

K-RAS

K-RAS is a gene that produces an important cell signalling protein responsible for cell growth. The presence of a mutated form of the K-RAS gene in colorectal cancer may indicate that a patient is unsuitable for new anti-EGFR drugs such as Erbitux™ and Vectibix™.

Liquid based cytology ('LBC')

LBC is a process for collecting and processing cervical cytology samples from epithelial tissues. It produces a cleaner preparation of cells, without the other materials which frequently contaminate the sample such as blood or mucus.

Microarray

Microarrays are a microscopic series of nucleic acid spots of known sequence which are deposited in a regular array typically onto a glass slide. A DNA or RNA probe can then be hybridised to the slide which results in a DNA or RNA fingerprint of the sample in the probe enabling scientists to determine genotypes or gene expressions levels.

Next Generation DNA Sequencing ('NGS')

NGS refers generically to a set of recent technologies, in our case Illumina HiSeq™, Illumina MiSeq™ and Illumina NextSeq™ in which extremely large numbers of short sequences can be determined in a single experiment; for example the Illumina HiSeq™ selected by Source BioScience can sequence two human genomes in ten days.

No further review ('NFR')

A unique feature of the FocalPoint™ automated cytology imaging platform that can identify up to 25% of cytology slides that are considered to be negative. These slides do not require further primary manual review, thereby improving the turnaround time and efficiency in the laboratory operations, saving time and cost for the NHS.

Phosphate Buffered Serology Saline ('PBSS')

A standardised solution used as a wash solution for human red blood cells prior to blood grouping and serological antibody investigation.

Polymerase Chain Reaction ('PCR')

PCR is a laboratory technique which specifically and exponentially amplifies a single or a few copies of a segment of DNA. The resulting product is an indicator of the presence of the original segment of DNA or the product can be used as the material for further experiments, for example genotyping or DNA sequencing.

Proteomics

The study of specific amino acids, proteins or the entire proteome (a complete translated genome, see above) of an organism. Proteomic techniques include, for example, surveying complex biological samples for protein content, or determining the level of specific proteins in tissues using techniques like immunohistochemistry (IHC, see above).

reSource™

Brand name carried by the Source BioScience LifeSciences product portfolio.

Ribo Nucleic Acid ('RNA')

RNA is a molecule similar to DNA, but is an intermediate product between the DNA of the gene, and the ultimate protein product of that gene. The level of expression of a gene can be gauged by the amount of RNA synthesised from that gene, a process usually measured by quantitative real-time polymerase chain reaction ('Q-PCR').

RNA expression analysis

A process to measure the activity of a number of genes simultaneously, generating a global picture of cellular function. The expression analyses, or profiles, can distinguish between cells that are actively dividing, for example, or show how the cells react to a particular treatment. Testing of genome-wide RNA expression levels has historically been performed by microarray analysis but the experiments are now as likely to be performed by NGS.

Serology

The study of general antigen-antibody reactions in a laboratory setting and the specific blood test conducted to test for the presence of antibodies. A serology test is performed to determine a patient's blood type and to test for and identify an infection.

Sexually transmitted infection ('STI')

An infection that can be transferred from one person to another through sexual contact. Source BioScience offers Chlamydia screening services to various commissioning bodies as part of the National Chlamydia Screening Programme.

SpeedREAD™

The Source BioScience brand used to identify our fast overnight capillary sequencing services with less than 10 hour turnaround and pre 9am delivery of results.

Stability storage services

The provision of validated ICH standard environmental facilities which vary in environmental factors, such as temperature, humidity and light. The purpose of stability testing is to provide evidence on how the quality of a substance or product varies with time in different environments and to establish a shelf life for the substance or product and recommend appropriate storage conditions.

Stability storage products

A range of modular walk-in and reach-in rooms and cabinets sold, serviced and validated by Source BioScience which are used by customers to achieve ICH standard environments in their own facilities for their own internal stability storage projects.

Validation

Installation Qualification (IQ), Calibration Qualification (CQ), Operational Qualification (OQ) and Performance Qualification (PQ) and all elements of equipment validation used in laboratory processes. Validation of equipment and environments, and the subsequent documentation, is an essential element of Stability Storage projects.

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