

Company Registration No. 00079136 (England and Wales)

SOURCE BIOSCIENCE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

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SOURCE BIOSCIENCE LIMITED

COMPANY INFORMATION

Directors	J C LeCoque A Ratcliffe D M Kirkham
Company number	00079136
Registered office	1 Orchard Place Nottingham Business Park Nottingham NG8 6PX
Auditor	RSM UK Audit LLP Chartered Accountants Suite A, 7th Floor East West Building 2 Tollhouse Hill Nottingham NG1 5FS

SOURCE BIOSCIENCE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

Source BioScience Limited continued to act as an intermediate holding company for investments in subsidiaries within the Source BioScience Group. The Company underwent a capital reduction in the year as part of a corporate share re-organisation in anticipation of the admission to AIM of its ultimate parent company, SourceBio International plc.

The Company's profit for the year was £2,055,000 (2019 – loss of £1,485,000). The company had net assets of £3,585,000 (2019 - £11,530,000) at the year end.

Key performance indicators

As the company solely acts as a holding company, it is not considered necessary to consider key performance indicators further. Key performance indicators are managed on a group wide basis and are regularly monitored by the board.

Principal risks and uncertainties

The Company monitors principal risks and uncertainties on a group wide basis. The principal risks are consistent with those of the Group and are disclosed further in the consolidated financial statements of SourceBio International plc.

Financial risk management

The Company's financial risks are those of its principal trading subsidiary Source BioScience UK Limited. These are disclosed in the financial statements of Source BioScience UK Limited.

Future developments

The Directors expect the general level of activity to remain largely consistent in the forthcoming period in line with the Company's position within the Group as an intermediate holding company.

Going concern

The Directors have assessed the Balance Sheet and likely future cash flows at the date of approving these financial statements and have prepared detailed budgets and forecasts for the Company and its trading subsidiaries covering the period to 31 December 2022, which are based on the medium-term strategic business plan prepared for the period to 31 December 2023. This forecasting has been undertaken following the impact of COVID-19 and has considered both the negative impact on the core business and the positive impact derived from the recently established Infectious Disease Testing business unit which is expected to materially contribute to the financial results going forward.

The company has received confirmation of continued support from the wider Source BioScience Group for at least twelve months from the date of approval of these financial statements. Based on the forecast cash and operating profits forecast at the Group level, the directors have a reasonable expectation that the Company has adequate resources to continue operating and meet its financial obligations as they fall due for at least 12 months from the date of signing these financial statements.

On behalf of the board



A Ratcliffe
Director

9 September 2021

SOURCE BIOSCIENCE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and audited financial statements for the year ended 31 December 2020.

Principal activities

The company did not trade externally during this year as it acts as an intermediary holding company. The company will continue to operate as an intermediary holding company in the future.

Directors

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

J C LeCoque	
A Ratcliffe	(Appointed 17 November 2020)
D M Kirkham	(Appointed 16 June 2021)
R Wheatcroft	(Resigned 15 June 2021)
T Nolan	(Resigned 28 February 2020)

Results and dividends

The profit for the year after taxation was a profit of £2,055,000 (2019 – loss of £1,485,000).

During the year the directors approved a dividend of £10,000,000 which was paid during the year (2019 - £nil).

Qualifying third party indemnity provisions

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

Auditor

In accordance with the company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the company will be put at a General Meeting.

Strategic report

The Company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of its principal risks and uncertainties, financial risk management, review of its business including key performance indicators, and future developments.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



A Ratcliffe
Director

9 September 2021

SOURCE BIOSCIENCE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOURCE BIOSCIENCE LIMITED

Opinion

We have audited the financial statements of Source Bioscience Limited (the 'company') for the year ended 31 December 2020 which comprise statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOURCE BIOSCIENCE LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOURCE BIOSCIENCE LIMITED (CONTINUED)

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to GDPR. We performed audit procedures to inquire of management whether the company is in compliance with these laws and regulations.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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

Use of our report

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

RSM UK Audit LLP

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

9 September 2021

SOURCE BIOSCIENCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
	Notes	£'000	£'000
Administrative expenses		(156)	(67)
Exceptional items	3	<u>(1,408)</u>	<u>(3,593)</u>
Operating loss	5	(1,564)	(3,660)
Dividend income from investments		3,777	-
Interest receivable and similar income		-	2,743
Interest payable and similar expenses	7	<u>(158)</u>	<u>(568)</u>
Profit/(loss) before taxation		2,055	(1,485)
Tax on profit/(loss)	8	<u>-</u>	<u>-</u>
Profit/(loss) for the financial year		<u>2,055</u>	<u>(1,485)</u>

SOURCE BIOSCIENCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	10		25,647		23,831
Current assets					
Debtors	12	4,932		4,224	
Cash at bank and in hand		13		31	
		<u>4,945</u>		<u>4,255</u>	
Creditors: amounts falling due within one year	13	<u>(27,007)</u>		<u>(12,706)</u>	
Net current liabilities			<u>(22,062)</u>		<u>(8,451)</u>
Total assets less current liabilities			3,585		15,380
Creditors: amounts falling due after more than one year	14		-		(3,850)
Net assets			<u>3,585</u>		<u>11,530</u>
Capital and reserves					
Called up share capital	17		1		7,203
Share premium account	18		-		11,475
Other reserves	18		-		2,408
Profit and loss reserves	18		3,584		(9,556)
Total equity			<u>3,585</u>		<u>11,530</u>

The financial statements were approved by the board of directors and authorised for issue on 9 September 2021 and are signed on its behalf by:



A Ratcliffe
 Director

SOURCE BIOSCIENCE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Other reserves	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2019	7,203	11,475	2,408	(8,071)	13,015
Year ended 31 December 2019:					
Profit and total comprehensive income for the year	-	-	-	(1,485)	(1,485)
Balance at 31 December 2019	7,203	11,475	2,408	(9,556)	11,530
Year ended 31 December 2020:					
Profit and total comprehensive income for the year	-	-	-	2,055	2,055
Transactions with owners in their capacity as owners:					
Capital reduction	(7,202)	(11,475)	(2,408)	21,085	-
Dividends paid	-	-	-	(10,000)	(10,000)
	(7,202)	(11,475)	(2,408)	11,085	(10,000)
Balance at 31 December 2020	1	-	-	3,584	3,585

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Source BioScience Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office and principal place of business is 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", including the option of the amendments issued in December 2017, ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000, unless otherwise stated.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Group accounts exemption

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the Company as an individual entity and not about its group.

Source BioScience Limited is a wholly owned subsidiary of SourceBio International plc and the results of Source BioScience Limited are included in the consolidated financial statements of SourceBio International plc (formerly Sherwood Holdings Limited) which are available from 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX.

Reduced disclosures

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of SourceBio International plc (formerly Sherwood Holdings Limited) as at 31 December 2020. These consolidated financial statements are available from their registered office, 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX.

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Going concern

The Directors have assessed the Balance Sheet and likely future cash flows at the date of approving these financial statements and have prepared detailed budgets and forecasts for the Company and its trading subsidiaries covering the period to 31 December 2022, which are based on the medium-term strategic business plan prepared for the period to 31 December 2023. This forecasting has been undertaken following the impact of COVID-19 and has considered both the negative impact on the trading subsidiaries and the positive impact derived from the recently established Infectious Disease Testing business unit within Source BioScience UK Limited which is expected to materially contribute to the financial results of the group going forward.

The company has received confirmation of continued support from the wider Source BioScience Group for at least twelve months from the date of approval of these financial statements. Based on the forecast cash and operating profits forecast at the Group level, the directors have a reasonable expectation that the Company has adequate resources to continue operating and meet its financial obligations as they fall due for at least 12 months from the date of signing these financial statements.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, and amounts due to group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either debtors or creditors.

Foreign exchange

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

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

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

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

Other Income

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate

Dividend income

Dividend income from investments in subsidiaries is recognised when the Company's right to receive payment is established.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Impairment of debtors

Debtors are stated at recoverable amounts, after appropriate provision and impairments of balances due from fellow group undertakings. Calculation of the provision requires judgement from the management team, based on the expected future cash flow forecasts of other group companies. In the current year there were impairment charges totalling £1,408,000 (2019 - £3,593,000). The carrying amount of balances due from fellow group undertakings at the year end was £4,898,000 (2019 - £4,059,000).

Impairment of investments

Impairment tests have been undertaken in respect of fixed asset investments using an assessment of the value in use of the respective CGU's. This assessment requires a number of assumptions and estimates to be made including the allocation of assets of CGU's, the expected future cash flows from each CGU and also the selection of a suitable discount rate in order to calculate the present value of those cash flows. There was no impairment of fixed asset investments as a result of the reviews in the current year. The carrying value of fixed assets at the year end was £25,647,000.

3 Exceptional items

	2020 £'000	2019 £'000
Impairment of amounts owed by group undertakings	(1,408)	(3,593)

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Employees

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

	2020 Number	2019 Number
Central services	3	3

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	30	331
Social security costs	4	28
Pension costs	2	14
	<u>36</u>	<u>373</u>

The directors were remunerated for their services by the Company and other group companies. Full details of their remuneration are shown in the financial statements of Source BioScience UK Limited and SourceBio International plc (formerly Sherwood Holdings Limited), the ultimate parent company. No further disclosure has been included herein as it is not considered practicable to allocate directors' remuneration to individual companies within the group.

5 Operating loss

	2020 £'000	2019 £'000
Operating loss for the year is stated after charging/(crediting):		
Exchange gains	(87)	-

6 Auditor's remuneration

	2020 £'000	2019 £'000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	5	5

7 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest on bank overdrafts and loans	158	237
Interest payable to group undertakings	-	331
	<u>158</u>	<u>568</u>

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current period	-	-
Total current tax	-	-

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

	2020 £'000	2019 £'000
Profit/(loss) before taxation	2,055	(1,485)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19% (2019: 19%)	390	(282)
Tax effect of expenses that are not deductible in determining taxable profit	281	685
Change in unrecognised deferred tax assets	-	(19)
Effect of change in corporation tax rate	-	(2)
Group relief	47	(382)
Dividends receivable not taxable	(718)	-
Taxation charge for the year	-	-

The company has £nil (2019: £131,000) of unrecognised deferred tax assets, arising from tax losses and other short term timing differences.

Factors that may affect future tax charge

Following the March 2020 budget, legislation has been put in place for the main rate of corporation tax to remain at 19% from 1 April 2020 instead of reducing to 17%.

9 Dividends

	2020 £'000	2019 £'000
The following dividends were declared and paid during the year:		
Interim dividend	10,000	-

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Fixed asset investments

	Loans to group undertakings	Shares in group undertakings	Total
	£'000	£'000	£'000
Cost			
At 1 January 2020	20,158	42,312	62,470
Additions	-	1,816	1,816
Capitalisation of loan	(20,158)	18,239	(1,919)
At 31 December 2020	-	62,367	62,367
Impairment			
At 1 January 2020	1,919	36,720	38,639
Impairment charged in the year	-	-	-
Capitalisation of loan	(1,919)	-	(1,919)
At 31 December 2020	-	36,720	36,720
Carrying amount			
At 31 December 2020	-	25,647	25,647
At 31 December 2019	18,239	5,592	23,831

As part of a corporate share re-organisation in anticipation of the admission to AIM of the Company's ultimate parent company, SourceBio International plc, Source BioScience UK Limited issued equity shares in satisfaction of an intercompany loan owed to the Company. 20,158,000 £1 shares were allotted to the Company on 17 September 2020.

As part of the re-organisation above, Source BioScience (Orchard Place) Limited issued equity shares in satisfaction of an intercompany loan owed to the Company.

11 Subsidiaries

Details of the Company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held Direct	Indirect
Cryobank Guarantor Limited (1)	Dormant	Ordinary	100	-
Fairfield Imaging Limited (1)	Dormant	Ordinary	100	-
Fairfield Telepathology Limited (1)	Dormant	Ordinary	100	-
Geneservice Limited (1)	Dormant	Ordinary	100	-
Kinetic Imaging Limited (1)	Dormant	Ordinary	100	-
Medical Solutions (Leeds) Limited (1)	Intermediate Holding Company	Ordinary	100	-
Quinoderm Limited (1)	Non-trading	Ordinary	100	-

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Subsidiaries (Continued)

Name of undertaking	Nature of business	Class of shares held	% Held Direct	Indirect
Select Pharma Laboratories Limited (2)	Provision of pharmaceutical, physical and chemical testing	Ordinary	100	-
Select Storage Solutions (Scotland) Limited (2)	Dormant	Ordinary	-	100
Source BioScience (Cryobank) Limited (1)	Dormant	Ordinary	100	-
Source BioScience (Healthcare) Limited (1)	Intermediate Holding company	Ordinary	100	-
Source BioScience (Orchard Place) Limited (1)	Property rental	Ordinary	100	-
Source BioScience (Storage) Limited (1)	Provision of controlled environment storage, services and products	Ordinary	100	-
Source BioScience Germany GmbH (4)	Intermediate Holding company	Ordinary	100	-
Source BioScience GmbH (4)	Dormant	Ordinary	-	100
Source BioScience Inc (5)	Provision of controlled environment storage, services and products	Ordinary	-	100
Source BioScience Ireland Limited (3)	Provision of controlled environment storage, services and products	Ordinary	100	-
Source BioScience Scotland Limited (2)	Dormant	Ordinary	100	-
Source BioScience UK Limited (1)	Provision of laboratory services and products	Ordinary	100	-

Registered offices:

(1) 1 Orchard Place, Nottingham Business Park, Nottingham NG8 6PX

(2) First Floor, Quay 2, 139 Fountainbridge, Edinburgh, EH3 9QG

(3) Unit 1 and 2, Riverstown 5 Complex, Riverstown Industrial Estate, Tramore, Co. Waterford

(4) Robert-Rossle-Str. 10, (Haus D79), 13125 Berlin

(5) 300 Town Park Drive, Suite 130, Kennesaw GA 30144

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Debtors

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	-	36
Amounts owed by group undertakings	4,898	4,059
Other debtors	34	129
	<u>4,932</u>	<u>4,224</u>

13 Creditors: amounts falling due within one year

	Notes	2020	2019
		£'000	£'000
Bank loans and overdrafts	15	-	1,000
Amounts owed to group undertakings		26,998	11,705
Accruals and deferred income		9	1
		<u>27,007</u>	<u>12,706</u>

Amounts owed to group undertakings are unsecured and interest free. They have no fixed repayment date, however, the company has received written confirmation from its ultimate parent undertaking, that the counterparties will not require repayment unless such repayment can be made without prejudicing the company's ability to settle amounts payable to other external creditors as they fall due.

14 Creditors: amounts falling due after more than one year

	Notes	2020	2019
		£'000	£'000
Bank loans and overdrafts	15	-	3,850

15 Borrowings

	2020	2019
	£'000	£'000
Bank loans	-	4,850
Payable within one year	-	1,000
Payable after one year	-	3,850

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Borrowings (Continued)

Bank loans

As at 31 December 2020, the Company owed a total of £nil (2019 - £4,850,000) in respect of a term loan and revolving credit facility with Barclays Bank plc.

As at 31 December 2020, £nil (2019 - £1,250,000) was owed in respect of the term loan. The term loan issued was for a value of £5,000,000, repayable in quarterly instalments of capital and interest commencing on 24 June 2016.

As of 31 December 2020, the revolving credit facility available to the Company was £2,800,000 which has since lapsed. As at 31 December 2020 £nil (2019 - £3,600,000) was drawn.

The rate of interest applicable to each loan/facility is the aggregate of the applicable margin and LIBOR. The applicable margin varies between 2.9% and 3.75%.

Bank loans and overdrafts of the Group, including the latterly undrawn facility, were secured by fixed and floating charges over certain assets of the Company and its subsidiaries.

16 Retirement benefit schemes

	2020	2019
Defined contribution schemes	£'000	£'000
Charge to profit or loss in respect of defined contribution schemes	2	14

17 Share capital

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £nil (2019 - £nil) were payable to the fund at the reporting date.

	2020	2019
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
50,016 ordinary shares of 2p each (2019: 360,126,216 ordinary shares of 2p each)	1	7,203

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

The Company reduced its share capital from 360,126,216 2p shares to 50,016 2p shares by cancelling and extinguishing 360,076,200 2p shares on 22 September 2020 as part of a corporate share re-organisation in anticipation of the admission to AIM of its ultimate parent company, SourceBio International plc.

18 Reserves

Share premium account

The share premium account includes the premium on issues of equity shares, net of any issue costs. The Company reduced its share premium account from £11,475,091 to £nil on 22 September 2020 as part of a corporate share re-organisation in anticipation of the admission to AIM of its ultimate parent company, SourceBio International plc.

SOURCE BIOSCIENCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18 Reserves (Continued)

Other reserves

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 company reduced its other reserves from £2,407,522 to £nil on 22 September 2020 as part of a corporate share re-organisation in anticipation of the admission to AIM of its ultimate parent company, SourceBio International plc.

Profit and loss reserves

Profit and loss reserves represents cumulative profits or losses, net of dividends paid.

19 Financial commitments, guarantees and contingent liabilities

At 31 December 2020, under the terms of the Source BioScience Limited group banking facility with Barclays Bank, the Company was a party to a bank guarantee with other group companies. At 31 December 2020 the maximum contingent liability under group banking arrangements was £nil as all bank borrowings had been repaid in the year (2019: £4.9m). The group had a right of set off on all overdraft and bank borrowings as part of this agreement. The Group borrowing facility has since lapsed in 2021.

20 Ultimate controlling party

The immediate and the ultimate parent company is SourceBio International plc (formerly Sherwood Holdings Limited), both companies are incorporated in England and Wales. SourceBio International plc is the smallest and largest group for which consolidated financial statements are prepared. The registered office of SourceBio International plc and Source Bioscience Limited is 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX. The directors consider there to be no ultimate controlling party.