

Source BioScience (Storage) Limited

**Strategic Report, Directors' Report and
Financial Statements**

31 December 2016

Registered number 00878160

SATURDAY



A6D6KP69

A28

19/08/2017

#15

COMPANIES HOUSE

Contents

	Page
Officers and Professional Advisors	1
Strategic Report	2
Directors' Report	4
Statement of Directors' Responsibilities	5
Independent Auditor's Report to the members of Source BioScience (Storage) Limited	6
Profit and Loss Account and Other Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10

Officers and Professional Advisors

Directors

Jay Charles LeCoque
Iain Macdonald Chisholm
Russell Steven Wheatcroft

Secretary

Michael John Astle

Registered Office

1 Orchard Place
Nottingham Business Park
Nottingham
NG8 6PX

Banker

Barclays Bank plc
3 Hardman Street
1st Floor
Spinningfields
Manchester
M3 3HF

Auditor

KPMG LLP
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Strategic report

Principal activities

The principal activity of the Company was the manufacture of environmental control products for the biopharma, life science and food sectors and the provision of environmental control services.

Business review

The Company is continuing to develop its commercial capability with new sales teams in place to deepen relationships with customers and development work on a new website which launched, post period, in early 2017.

The Company has experienced weaker demand for its environmental control products but remains positive about the medium and long term potential in this market.

In September 2016 100% of the issued share capital of the Company's parent was purchased by Sherwood Holdings Limited and subsequently delisted from the London Stock Exchange.

Objectives

The Company's long-term objective is to grow revenue profitably in order to fund continued investment and further expansion both domestically and internationally

In pursuing this objective the Company intends to maintain sound financial management and avoid excessive risks.

Key business strategies

In pursuit of its objectives the Company has a number of key business strategies.

The aim is to secure increased sales through:

- focusing on existing service and product ranges with the most potential for growth;
- streamlined internal processes delivering customer service enhancements;
- reducing our focus on those service and product ranges with the least potential for growth; and
- the development of new services and products and new market sectors.

Profitability is planned to improve through development of new product ranges, reducing material purchase costs and improving operating efficiencies.

Strategy is constantly reviewed by the Board in the light of actual performance and changing market conditions to ensure it remains appropriate to achieve the set objectives.

Principal risks, uncertainties and financial management objectives

The key performance indicators for the business are cash flow and profitability and hence the most significant risks to the business are those that directly impact on these, which are correlated with general economic activity.

The company follows the following financial risk management policies:

Price risk

The business may be affected by rising costs of inputs, although purchasing policies and practices seek to mitigate, where practicable, such risks. The business has a number of mid-term (one to five year) contracts with the public sector on a fixed price basis which are particularly susceptible to rising costs of inputs.

The business continues to offset the risk of competitive pressure through continual improvement in its customer-focussed activities, providing a good quality service at a market price.

Interest rate risk

The Company has limited exposure to movements in interest rates but nonetheless seeks to mitigate such exposure by monitoring its facilities diligently.

Credit risk

Credit risk arises on assets such as trade debtors. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history before credit is granted.

Strategic report (continued)

Liquidity risk

The Company has bank and cash balances of £133k (2015: £1,226k) at the year end. This together with the shareholders support provides the Directors with confidence that there are sufficient funds available to allow the company to achieve its financial targets in the foreseeable future.

Having considered the above risks and uncertainties, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Key performance indicators

The Company uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised below:

	2016 £000	2015 £000
Turnover	4,709	6,811
EBITDA	78	312
(Loss)/profit before tax	218	(82)

During the year, performance has suffered in line with the results posted in the attached profit and loss account. Company turnover fell by 31% compared with the previous year, and EBITDA decreased by (£234k). EBITDA represents earnings before interest, tax, depreciation, non-recurring costs, profit on disposal of fixed assets, share based payment and amortisation charges.

The Board monitors the Company's operations with the objective of ensuring that health and safety is at the core of all working practices. In measuring the success of this, the Board reviews the level of reported incidents and monitors the training being undertaken by all relevant employees.

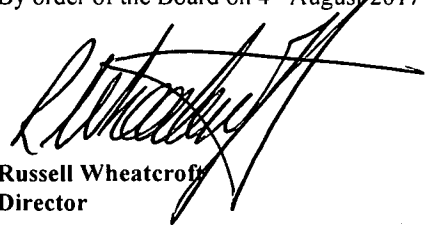
Future prospects

Post year end senior management changes have occurred within the Company with three new directors being appointed and the resignation of three former directors.

The Board is confident that the Company's strategy will continue to deliver results that meet the Company's objectives in the years to come.

In the forthcoming year the business may incur some short-term restructuring costs as it looks to refocus its activities on service and product ranges with the greatest potential for growth.

By order of the Board on 4th August 2017



Russell Wheatcroft
Director

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Activities

The principal activity of the Company was the manufacture of environmental control products for the biopharma, life science and food sectors and the provision of environmental control services.

Results and dividends

The profit for the year after taxation was £229,000 (2015: loss of £196,000).

The Directors do not recommend the payment of a dividend in the current year (2015: £nil).

On the 31st October 2016 the trade and assets of Source BioScience Cryobank Limited were hived up into Source BioScience (Storage) Limited.

Financial risk management objectives and policies

The Company makes little use of financial instruments other than an operational bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Directors

The Directors who held office throughout the year, and to the date of this report are as follows:

Dr NW Ash (resigned 12th May 2017)
Dr NI Leaves (resigned 12th May 2017)
TC Metcalfe (resigned 12th May 2017)
JC LeCoque (appointed 27th April 2017)
IM Chisholm (appointed 27th April 2017)
RS Wheatcroft (appointed 27th April 2017)
JD Agnew (appointed 27th April 2017, resigned 12th May 2017)

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2015: £nil).

Disclosure of information to auditor

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

Auditor

The auditor has put itself forward for re-appointment.

By order of the Board on 4th August 2017



Russell Wheatcroft
Director

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



Independent Auditor's Report to the members of Source BioScience (Storage) Limited

We have audited the financial statements of Source BioScience (Storage) Limited for the year ended 31 December 2016 set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Anthony Hambleton (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham NG1 6FQ

Dated: 10th August 2017

Profit and Loss Account and Other Comprehensive Income

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	2	4,709	6,811
Cost of sales		<u>(2,205)</u>	<u>(2,976)</u>
Gross profit		2,504	3,835
Administrative expenses		<u>(2,961)</u>	<u>(3,914)</u>
Profit on disposal of fixed asset	3	<u>675</u>	<u>(3)</u>
Operating profit/(loss)		218	(82)
Profit/(loss) before tax	4	218	(82)
Tax on profit/(loss)	6	<u>11</u>	<u>(114)</u>
Profit/(loss) for the financial year and total Comprehensive income for the year		<u>229</u>	<u>(196)</u>


All activities arose from continuing operations.

Balance Sheet

As at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Tangible assets	7	3,892	4,044
Investment in subsidiary	8	-	-
		<u>3,892</u>	<u>4,044</u>
Current assets			
Stocks	9	205	192
Debtors	10	4,170	1,693
Cash at bank and in hand		133	1,226
		<u>4,508</u>	<u>3,111</u>
Creditors: amounts falling due within one year	11	<u>(5,341)</u>	<u>(4,827)</u>
Net current liabilities		<u>(833)</u>	<u>(1,716)</u>
Total assets less current liabilities		<u>3,059</u>	<u>2,328</u>
Creditors: amounts falling due after more than one year	12	(444)	-
Provisions for liabilities			
Deferred tax	13	<u>(212)</u>	<u>(154)</u>
Net assets		<u><u>2,403</u></u>	<u><u>2,174</u></u>
Capital and reserves			
Called up share capital	14	3	3
Profit and loss account		<u>2,400</u>	<u>2,171</u>
Equity shareholder's funds		<u><u>2,403</u></u>	<u><u>2,174</u></u>

These financial statements were approved by the Directors on 4th August 2017


Russell Wheatcroft
Director

Company number: 00878160

Statement of Changes in Equity

For the year ended 31 December 2016

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2015	3	2,367	2,370
Loss for the year and total comprehensive income for the year	-	(196)	(196)
At 31 December 2015	3	2,171	2,174
Balance at 1 January 2016	3	2,171	2,174
Profit for the year and total comprehensive income for the year	-	229	229
At 31 December 2016	3	2,400	2,403

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies

Basis of preparation

Source BioScience (Storage) Limited (the "Company") is a Company incorporated and domiciled in the UK. The registered number is 00878160 and the registered address is 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with FRS 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Source BioScience plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Source BioScience plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from The Company Secretary, Source BioScience plc, 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of Source BioScience plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis.

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies (*continued*)

The IFRS adopted by the EU applied by the Company in the preparation of these financial statements are those that were effective at 31 December 2016. The Company'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 Company's accounting periods beginning on or after 1 January 2016 or later periods and which the Company has decided not to adopt early. The Company has considered the impact of these new standards and interpretations in future periods on profit 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.

A number of accounting estimates and judgements are incorporated within the impairment provisions for trade receivables. 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.

The Company 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.

Going Concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate for the following reasons.

The Company enjoys the support of its parent Company, Source BioScience plc, and this has confirmed that this will continue to provide financial support for at least twelve months from the date of approval of these financial statements. Moreover, of the liabilities of the Company, £4.7 million (2015: £3.9 million) is an intra-group balance. The Directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although at the date of approval of these financial statements they have no reason to believe that it will not do so.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies (*continued*)

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 Company 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.

Tangible fixed assets

Tangible fixed assets are 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
- Plant and machinery: 5 – 10 years
- Fixtures, fittings and computer software: 3 – 10 years
- Motor vehicles: 4 years
- Freehold land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Impairment of assets

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.

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 Company 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.

Stocks

Stocks 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. Provision is made where necessary for obsolete, slow-moving and defective inventory.

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies (*continued*)

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 stability storage, manufacture and installation of controlled environment storage equipment and related servicing and validation.

Stability storage, servicing and validation

Amounts received or receivable for services, typically stability storage, servicing and validation services are recognised as revenue when services are provided and any obligations are fulfilled.

In respect of income relating to annual service contracts which are invoiced in advance at the inception of the agreement, it is the Company'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.

Manufacture and installation of controlled environment storage equipment

Manufacture and installation of controlled environment storage equipment represent long term contracts as 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.

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.

Interest

Interest receivable is credited and interest payable 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.

Provisions

A provision is recognised in the Statement of Financial Position when the Company 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.

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies (continued)

Financial instruments

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

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 Company are recorded as the value of the proceeds received net of direct issue costs.

Following the adoption of IAS 32 Financial Instruments: Presentation, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Derivative financial instruments and hedging activities

The Company may from time to time hold 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 Company does not apply hedge accounting

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Source BioScience group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the Financial Statements

For the year ended 31 December 2016

2. Turnover

The turnover is attributable to the one principal activity of the Company.

Analysis of revenue by geography:

	2016 £'000	2015 £'000
United Kingdom	3,444	5,003
Europe	509	1,041
Rest of the World	756	767
	<u>4,709</u>	<u>6,811</u>

3. Profit on disposal of fixed asset

	2016 £'000	2015 £'000
Disposal of Freehold land	<u>675</u>	<u>3</u>

4. Profit/(loss) before tax

Profit/(loss) before tax is after charging/(crediting):

	2016 £'000	2015 £'000
Depreciation of owned tangible fixed assets	380	395
(Profit)/loss on disposal of fixed assets	<u>(675)</u>	<u>3</u>

Audit fees and other non-audit fees are borne by the Parent company, Source BioScience plc and incorporated into respective management charges. The audit fees were £10,000 (2015: £10,000) and other non-audit fees were £6,000 (2015: £6,000).

5. Staff number and costs

	2016 £'000	2015 £'000
Employee costs during the year:		
Wages and salaries	1,019	1,453
Social security costs	91	141
Pension costs (note 14)	45	67
	<u>1,155</u>	<u>1,661</u>

Notes to the Financial Statements

For the year ended 31 December 2016

5. Staff number and costs (*continued*)

	2016 Number	2015 Number
Average number of persons employed during the year:		
Services	4	6
Products	20	22
Central	5	8
	<u>29</u>	<u>36</u>

The Directors were remunerated for their services to the Company by the Parent Company, Source BioScience plc, and full details of their remuneration are shown in the financial statements of that company. It is not practicable to allocate these to its subsidiary undertakings.

6. Taxation

a) Recognised in the profit and loss account

	2016 £'000	2015 £'000
UK corporation tax		
Current tax on income for the year	-	40
Adjustments in respect of prior years	(38)	(26)
Total current tax	(38)	14
Deferred tax		
Origination and reversal of timing differences (note 13)	49	100
Tax on loss on ordinary activities	11	114

b) Income tax recognised in other comprehensive income

There was nil income tax recognised in other comprehensive income.

c) Reconciliation of the effective tax rate

	2016 £'000	2015 £'000
Profit/(loss) for the year	229	(196)
Total tax expense	(11)	114
Profit/(loss) excluding tax	218	(82)
Tax using UK corporation tax rate of 20% (2015: 20.25%)	44	(17)
Effects of:		
Non-taxable gains	(55)	-
Adjustments in respect of prior years	(38)	-
Rate change on deferred tax	(24)	-
Expenses not deductible	80	127
Other timing differences	4	4
Total tax expense for the year	11	114

Notes to the Financial Statements

For the year ended 31 December 2016

6. Taxation (*continued*)

d) Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on these rates.

7. Tangible fixed assets

	Freehold property	Motor vehicles	Plant, machinery and office equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 January 2016	3,158	93	4,162	7,413
Additions	-	22	292	314
Acquired with a business (note 16)	-	-	90	90
Disposals	(375)	(9)	-	(384)
At 31 December 2016	2,783	106	4,544	7,433
Accumulated depreciation and impairment				
At 1 January 2016	718	91	2,560	3,369
Additions	-	-	176	176
Charge for the year	47	5	328	380
Disposals	(375)	(9)	-	(384)
At 31 December 2016	390	87	3,064	3,541
Net book value				
At 31 December 2016	2,393	19	1,480	3,892
At 31 December 2015	2,440	2	1,602	4,044

The land and buildings at Diggle were revalued from £184,000 to £375,000 on 13 September 2004 by Ryder & Dutton Chartered Surveyors on an open market existing use basis. The land and buildings at Diggle were then impaired to £nil at 31 December 2013 and remained impaired at £nil at 31 December 2015 as although the company had signed an agreement to sell the land and buildings, this was subject to planning conditions which were not met at that balance sheet date. These were resolved and the land and buildings were sold on 31 May 2016 for a profit of £675,000. Following the disposal of Diggle, all the remaining freehold property is held at cost

Notes to the Financial Statements

For the year ended 31 December 2016

8. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2016 and at 31 December 2016	110
Impairment	
At 1 January 2016 and at 31 December 2016	(110)
Net book value	
At 31 December 2015 and at 31 December 2016	-

The Company has the following principal subsidiaries

	Country of Incorporation and operation	Activity	Registered office address	Holding	Class of share
Source BioScience Inc.	USA	Services	300 Town Park Drive Suite 130, Kennesaw GA 30144, USA	100%	Common

The Company's voting rights in respect of each subsidiary are held in the same proportion as the Company's share of the share capital of each subsidiary.

Under the provision of section 400 of the Companies Act 2006 the Company is exempt from preparing consolidated financial statements and has not done so, therefore the accounts show information about the company as an individual entity.

The Company has provided against its investment in Source BioScience Inc. given the uncertainty of generating profits to support the investment carrying value.

9. Stocks

	2016 £'000	2015 £'000
Raw materials and consumables	189	150
Work in progress	16	28
Finished goods	-	14
	<u>205</u>	<u>192</u>

There is no material difference between the carrying value of stocks and replacement cost.

10. Debtors

	2016 £'000	2015 £'000
Trade debtors	826	1,113
Corporation tax	22	-
Amounts recoverable on long term contracts	190	116
Amounts due from group undertakings	3,060	412
Prepayments and accrued income	72	52
	<u>4,170</u>	<u>1,693</u>

Notes to the Financial Statements

For the year ended 31 December 2016

11. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	258	471
Amounts owed to group undertakings	4,695	3,859
Other taxation and social security	-	45
Other creditors	20	20
Corporation tax	2	40
Accruals and deferred income	366	392
	<u>5,341</u>	<u>4,827</u>

12. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Accruals and deferred income	444	-
	<u>444</u>	<u>-</u>

13. Deferred tax

The movement in the deferred taxation provision during the year was:

	2016 £'000	2015 £'000
Balance at 1 January	154	54
Charged to profit and loss account	49	100
Hive up from other group company	9	-
	<u>212</u>	<u>154</u>
Balance at 31 December	212	154

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2016 £'000	2015 £'000
Accelerated tax depreciation	144	163
Rollover gain	71	-
Other short term timing differences	(3)	(9)
	<u>212</u>	<u>154</u>

14. Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan. The total expense relating to these plans in the current year was £45,000 (2015: £67,000).

Notes to the Financial Statements

For the year ended 31 December 2016

15. Called up share capital

	2016 £'000	2015 £'000
Called up, allotted and fully paid		
3,000 ordinary shares of £1 each	<u>3</u>	<u>3</u>

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.

Dividends

No dividend (2015: £nil) were paid during the period or were proposed to the date of these accounts.

16. Contingent liabilities

At 31 December 2016, under the terms of the Source BioScience plc group banking facility with Barclays Bank, the Company was a party to a bank guarantee with other Group companies. At 31 December 2016 the maximum contingent liability under Group banking arrangements was £nil (2015: £nil). The Group has a right of set off on all overdraft and bank borrowings as part of this agreement.

17. Acquisition of a business

On the 31st October 2016 the trade and assets of Source BioScience Cryobank Limited, a fellow subsidiary were hived up into Source BioScience (Storage) Limited as part of a group restructuring exercise.

As the transaction was under common control, the assets and liabilities acquired have been recognised at book value on acquisition. Consideration was in the form of an intercompany balance equal to the net liabilities acquired.

The assets and liabilities acquired were as follows:

	£'000
Fixed Assets	90
Stock	6
Prepayments	3
Cash	22
Deferred income	(509)
Deferred tax	(9)
Corporation tax	(4)
	<u>(401)</u>

The acquired business did not made a significant contribution to the trading result in the year.

18. Ultimate controlling party & related party transactions

As a wholly owned subsidiary of Source Bioscience plc and has taken advantage of the exemption in FRS101 not to make disclosure of transactions with other wholly owned subsidiaries.

During the year, the Group of which the company forms a part, headed by Source BioScience Plc, was acquired by Sherwood Holdings Limited, a company incorporated in England and Wales. The Directors consider that there is no ultimate controlling party.

Prior to this point, the Parent company was Source BioScience plc, a company incorporated in England and Wales which remains the largest and smallest group for which consolidated financial statements are prepared. Copies of the Annual Report and Accounts are available from The Company Secretary, Source BioScience plc, 1 Orchard Place, Nottingham Business Park, Nottingham, NG8 6PX.