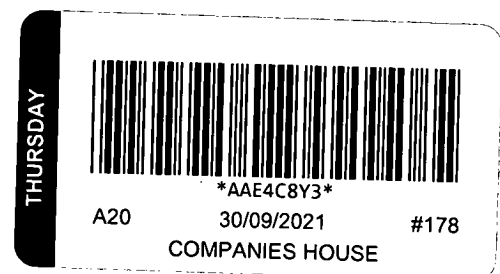


Registration number: 11484025

DNACO Limited

Annual Report and Consolidated Financial Statements
for the Year Ended 31 December 2020

UHY Ross Brooke
Chartered Accountants and Statutory Auditor
Suite 1 Windrush Court
Abingdon Business Park
Abingdon
Oxfordshire
OX14 1SY



DNACO Limited

Contents

Company Information	1
Strategic Report	2 to 3
Directors' Report	4 to 5
Statement of Directors' Responsibilities	6
Independent Auditor's Report	7 to 9
Consolidated Profit and Loss Account	10
Consolidated Statement of Comprehensive Income	11
Consolidated Balance Sheet	12
Balance Sheet	13
Consolidated Statement of Changes in Equity	14
Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the Financial Statements	17 to 33

DNACO Limited

Company Information

Directors	G J Miller D J Hartshorne
Registered office	Unit 16 Blacklands Way Abingdon Business Park Abingdon Oxon OX14 1DY
Auditors	UHY Ross Brooke Chartered Accountants and Statutory Auditor Suite 1 Windrush Court Abingdon Business Park Abingdon Oxfordshire OX14 1SY

DNACO Limited

Strategic Report for the Year Ended 31 December 2020

Strategic Management

DNACO was incorporated on 25th July 2018 in order to purchase Orchid Cellmark Limited ('OCL') from its parent company LabCorp Inc., based in Burlington, North Carolina. OCL's business is primarily focused on the provision of high-quality DNA testing and forensic services, which have been delivered since 1987. The purchase of OCL was made on favourable terms and 29 months following incorporation the Group Holding Company DNACO has cash reserves and no borrowing.

The strategic objective of DNACO was initially to return the OCL business to profitability. The ongoing objectives are to ensure sustainable profits and seek growth opportunities through service development and acquisition.

Business Environment

The primary factor affecting DNACO's OCL business in recent years has been government austerity which led to significant reductions in police expenditure on outsourced forensic analysis. A combination of reduced forensic submissions and a downward pressure on pricing resulted in two years of losses for OCL in 2017 and 2018. However, in 2018, a Home Office review and a House of Lords Enquiry into forensic delivery in England and Wales recognised the importance of sustainable forensic provision. This resulted in additional funding for the sector in 2019. In addition, the growth in the requirement for certain types of accredited laboratory testing such as forensic toxicology and COVID-19 testing has driven service expansion.

Principal risks and uncertainties

The Directors regularly review risks and uncertainties. The principle risks are the high concentration of DNACO's revenue in a single market; the impact of pressure on public sector expenditure on submission volumes, given the high level of fixed and semi-variable cost for the types of laboratory service provision and specialist interpretation services currently delivered; and the time to train and/or the difficulty in recruiting skilled staff to respond to increases in demand.

Uncertainties surround the changing government policy on pandemic management and future police strategies for procuring forensic services.

Environmental and Social Matters

The Directors comply with their corporate and social responsibility obligations across the Group's business activities. For environmental matters the Company's sustainability policies and activities are recognised through OCL's certification to ISO14001 (Environmental Management). For employee issues OCL operates a professional Human Resources department with extensive HR policies; employee salary and benefits packages which exceed minimum wage requirements; staff training and development structures; employee wellbeing programmes and mental health support systems. For social, community and human rights matters the Group operates corporate responsibility policies including Anti-corruption and International Trade Law Compliance; an Ethical Labour and Anti-Human Trafficking Policy; a Company-wide Code of Conduct and Ethics; policies and procedures to prevent discrimination and ensure equal opportunities for all in the workplace; and actively supports Company and employee environmental and social responsibility activities and initiatives.

Business Performance

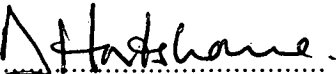
The Directors monitor the progress of its subsidiary in meeting its strategic objectives by a range of financial and non-financial key performance indicators.

In respect of the Group itself, the main measures used are Return on Investment and EBITDA per revenue. In this, the second trading period, EBITDA is again distorted by the negative goodwill taken during this period. In future years, these measures will be used by the Directors to monitor the progress of the Group in meeting its objectives.

DNACO Limited

Strategic Report for the Year Ended 31 December 2020

Approved by the Directors on 30/09/21 and signed on its behalf by:


.....
D J Hartshorne
Director

DNACO Limited

Directors' Report for the Year Ended 31 December 2020

The Directors present their report and the consolidated financial statements for the year ended 31 December 2020.

Directors of the Group

The directors who held office during the year were as follows:

G J Miller

D J Hartshorne

Principal activity

DNACO was formed in order to purchase Orchid Cellmark Limited ('OCL') from LabCorp Inc on 7th August 2018. Currently the principal activity of DNACO is to act as a Group Holding Company for OCL, which trades as Cellmark, Cellmark Forensic Services and Keith Borer Consultants. The Company is planning growth through service development and acquisition.

Dividends

Profits for the Group in the Period to 31st December 2020 were £1.298m (£4.983m in the previous period) largely due to the write back of negative goodwill (apportioned to each of the first two trading periods).

No dividend was declared for this period.

Company Finances

The Group has no indebtedness and its sole subsidiary during the period, OCL, despite the impact of the pandemic, declared a profit in 2020, also without any borrowing other than asset finance contracts. DNACO has a strong balance sheet which would support any future borrowing, if required, to facilitate growth.

Market Places

In 2020 the provision of forensic services to the police was classified as essential to support the Justice System which meant that the Company's operations continued throughout the 2020 pandemic period. Some additional police funding was provided to offset submission volume reductions in the early months of lockdown, but overall forensic provision was negatively impacted by the pandemic in 2020.

In Q2 and Q3 2020 there were also sales reductions in our civil laboratory testing markets (solicitors, local authorities and government departments) and also in our defence forensic market where customers' activity was significantly reduced due to the pandemic. OCL was able to mitigate some staff costs by utilising the government's furlough scheme for a period.

However, in response to government requests for COVID-19 laboratory testing support OCL developed an accredited PCR testing service and provided significant numbers of tests to Public Health England, to business and the general public during the second half of the year. This contributed significantly to maintaining the business revenue and trading position during the year.

Compliance with Financial regulations and Social responsibility requirements

The Group works with quality standards, pension advisers and UK auditors to ensure it complies with all relevant financial regulation and accounting standards by means of regular audit and reviews.

The Group is an Equal Opportunity Employer and does not discriminate on the basis of race, national origin, religion, colour, gender, sexual orientation, age, non-disqualifying physical or mental disability or any other basis covered by law. Employment decisions are based solely on qualifications, merit and business need. The Group seeks to ensure that employees with disabilities are considered for promotion according to their abilities and qualifications, and that any employee who becomes disabled will receive continued employment and training by making any reasonable adjustments necessary to do so. The Group monitors gender diversity within OCL and publishes results in line with government requirements.

Information included in the Strategic Report

The Directors have set out the Group's financial management risk objectives and policies in the strategic report rather than the Director's report.

DNACO Limited

Directors' Report for the Year Ended 31 December 2020

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Directors on 30/09/21 and signed on its behalf by:

D J Hartshorne
D J Hartshorne
Director

DNACO Limited

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the Annual 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 apply them consistently;
- make judgements and accounting 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 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.

DNACO Limited

Independent Auditor's Report to the Members of DNACO Limited

Opinion

We have audited the financial statements of DNACO Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Balance Sheet, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 Group's and the parent Company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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 director's 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 original financial statements were 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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

DNACO Limited

Independent Auditor's Report to the Members of DNACO Limited

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 6], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

DNACO Limited

Independent Auditor's Report to the Members of DNACO Limited

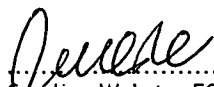
Based on our understanding of the company and the industry in which it operates, we identified the principal risks of non-compliance with laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated revenue and profit. Audit procedures performed included: comparison of the financial statement disclosures to underlying supporting documentation, enquiries of management, and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

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



Caroline Webster FCA (Senior Statutory Auditor)
For and on behalf of UHY Ross Brooke, Statutory Auditor

Suite 1 Windrush Court
Abingdon Business Park
Abingdon
Oxfordshire
OX14 1SY

Date: 30/9/21

DNACO Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	28,900	39,042
Cost of sales		<u>(23,211)</u>	<u>(32,336)</u>
Gross profit		5,689	6,706
Administrative expenses		(5,852)	(9,588)
Other operating income	4	<u>201</u>	<u>-</u>
Operating profit/(loss)	6	<u>38</u>	<u>(2,882)</u>
Negative goodwill written back	15	1,161	7,544
Other interest receivable and similar income	7	<u>2</u>	<u>4</u>
		<u>1,163</u>	<u>7,548</u>
Profit before tax		1,201	4,666
Taxation	11	<u>97</u>	<u>317</u>
Profit for the financial year		<u>1,298</u>	<u>4,983</u>
Profit/(loss) attributable to:			
Owners of the company		<u>1,298</u>	<u>4,983</u>

The group has no recognised gains or losses for the year other than the results above.

The profit shown includes the write back of £1,161,000 of negative goodwill which arose from the acquisition of Orchid Cellmark Limited.

Without this write back the Group made a profit before tax of £40,000.

DNACO Limited

**Consolidated Statement of Comprehensive Income for the Year Ended 31
December 2020**

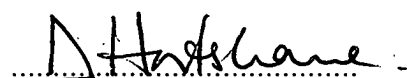
	2020 £ 000	2019 £ 000
Profit for the year	<u>1,298</u>	<u>4,983</u>
Total comprehensive income for the year	<u>1,298</u>	<u>4,983</u>
Total comprehensive income attributable to:		
Owners of the company	<u>1,298</u>	<u>4,983</u>

DNACO Limited

(Registration number: 11484025) Consolidated Balance Sheet as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Goodwill	12	-	194
Negative goodwill	12	(966)	(2,127)
		<u>(966)</u>	<u>(1,933)</u>
Tangible assets	13	867	905
Current assets			
Stocks	16	3,300	1,775
Debtors	17	6,597	7,543
Cash at bank and in hand		<u>2,184</u>	<u>1,103</u>
		12,081	10,421
Creditors: Amounts falling due within one year	19	<u>(4,981)</u>	<u>(3,647)</u>
Net current assets		<u>7,100</u>	<u>6,774</u>
Total assets less current liabilities		7,001	5,746
Creditors: Amounts falling due after more than one year	19	(28)	-
Provisions for liabilities	20	<u>(692)</u>	<u>(763)</u>
Net assets		<u>6,281</u>	<u>4,983</u>
Capital and reserves			
Profit and loss account		<u>6,281</u>	<u>4,983</u>
Shareholders' funds		<u>6,281</u>	<u>4,983</u>

Approved and authorised by the Directors on 30/09/21 and signed on its behalf by:



D J Hartshorne
Director

DNACO Limited

**(Registration number: 11484025)
Balance Sheet as at 31 December 2020**

	Note	2020 £ 000	2019 £ 000
Fixed assets			
Investments	14	-	-
Capital and reserves			
Called up share capital	22	-	-
Total equity		-	-

The company made a loss after tax for the financial year of £- (2019 - loss of £-).

Investments

At 31 December 2020 the investments of the Company amounted to £1 (2019: £1) - the investment in 100% of the share capital of Orchid Cellmark Limited.

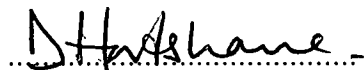
Due to the rounding in £000s this is not displayed on the face of the balance sheet.

Called up share capital

At 31 December 2020 the called up share capital of the Company amounted to £5.50 consisting of 5,500 shares of £0.001 each which were issued in the period to 31 December 2019.

Due to the rounding in £000s this is not displayed on the face of the balance sheet.

Approved and authorised by the Directors on 30/09/21 and signed on its behalf by:



D J Hartshorne
Director

DNACO Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020

Equity attributable to the parent company

	Profit and loss account £ 000	Total £ 000	Total equity £ 000
Profit for the year	<u>4,983</u>	<u>4,983</u>	<u>4,983</u>
Total comprehensive income	<u>4,983</u>	<u>4,983</u>	<u>4,983</u>
At 31 December 2019	<u>4,983</u>	<u>4,983</u>	<u>4,983</u>

	Profit and loss account £ 000	Total £ 000	Total equity £ 000
At 1 January 2020	4,983	4,983	4,983
Profit for the year	<u>1,298</u>	<u>1,298</u>	<u>1,298</u>
Total comprehensive income	<u>1,298</u>	<u>1,298</u>	<u>1,298</u>
At 31 December 2020	<u>6,281</u>	<u>6,281</u>	<u>6,281</u>

DNACO Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 31 December 2019	-	-	-

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 31 December 2020	-	-	-

DNACO Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Profit for the year		1,298	4,983
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	547	1,601
Profit on disposal of tangible assets	5	-	(24)
Finance income	7	(2)	(4)
Income tax expense	11	(97)	(317)
Negative goodwill written back		<u>(1,161)</u>	<u>(7,544)</u>
		585	(1,305)
Working capital adjustments			
Increase in stocks	16	(1,525)	(336)
Decrease in trade debtors	17	485	9
Increase in trade creditors	19	1,312	2,135
(Decrease)/increase in provisions	20	<u>(71)</u>	<u>67</u>
Cash generated from operations		786	570
Income taxes received	11	<u>558</u>	<u>473</u>
Net cash flow from operating activities		<u>1,344</u>	<u>1,043</u>
Cash flows from investing activities			
Interest received		2	4
Acquisitions of tangible assets		(315)	(363)
Proceeds from sale of tangible assets		-	85
Cash acquired on acquisition		<u>-</u>	<u>334</u>
Net cash flows from investing activities		(313)	60
Cash flows from financing activities			
Payments to finance lease creditors		<u>50</u>	<u>-</u>
Net increase in cash and cash equivalents		1,081	1,103
Cash and cash equivalents at 1 January		<u>1,103</u>	<u>-</u>
Cash and cash equivalents at 31 December		<u><u>2,184</u></u>	<u><u>1,103</u></u>

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Unit 16 Blacklands Way
Abingdon Business Park
Abingdon
Oxon
OX14 1DY

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are presented in Sterling (£) which is the functional currency of the company and rounded to the nearest £000 for presentation purposes.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2020.

No Profit and Loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

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

The results of subsidiaries acquired or disposed of during the year are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Going concern

The financial statements have been prepared on a going concern basis.

In common with the rest of the UK, the Group complied with the UK Government lockdown requirements which resulted in a number of staff self-isolating, changes to working practice and a considerable number of staff working from home. Revenue in key areas of the business reduced but, directed by the government, some financial support was received from UK police forces to compensate for reduced submissions in the first few months of the pandemic. This assistance, the development of other sources of revenue and because the Group had been in a strong financial position in March, meant that it was able to trade through the lockdown periods and achieve a small profit for the year as a whole.

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported in the profit and loss account for the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Operating lease commitments: The Group has entered into operating leases as a lessee. The classification of such leases as operating or finance leases requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liabilities to be recognised in the balance sheet.

The following are the Group's key sources of estimation uncertainty:

Goodwill and intangible assets: The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. The estimate is based on a variety of factors such as the expected use of the acquired business, any legal, regulatory or contractual provision that can limit useful life and assumptions that market participants would consider in respect of similar business.

Dilapidation provisions: The Group has made provisions for dilapidation in respect of its leasehold properties. The provision requires the cost of returning the properties to their original state at the end of the lease to be estimated and the actual costs incurred may differ from the original estimate.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

Revenue is recognised on the submission of a report of results of an analysis to the customer.

Foreign currency transactions and balances

The Company's functional and presentational currency is GBP

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and Loss Account with 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and Loss Account within 'other operating income'.

Tax

The tax expense for the period comprises current tax payable.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	life of lease
Plant and machinery	2 to 5 years

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Negative goodwill

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	5 years straight line

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Inventories

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the Group has an obligation at the reporting date as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

Financial instruments

Classification

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and are subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of short-term instruments constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

3 Revenue

The analysis of the group's turnover for the year by market is as follows:

	2020 £ 000	2019 £ 000
UK	28,532	35,641
Europe	214	457
Rest of world	154	2,944
	<u>28,900</u>	<u>39,042</u>

4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2020 £ 000	2019 £ 000
Government grants	<u>201</u>	<u>-</u>

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

5 Other gains and losses

The analysis of the group's other gains and losses for the year is as follows:

	2020 £ 000	2019 £ 000
Gain (loss) on disposal of property, plant and equipment	-	24
Negative goodwill written back	1,161	7,544
	<u>1,161</u>	<u>7,568</u>

6 Operating profit

Arrived at after charging/(crediting)

	2020 £ 000	2019 £ 000
Depreciation expense	353	785
Amortisation expense	194	816
Research and development cost	1,020	1,559
Operating lease expense - property	1,136	1,461
Profit on disposal of property, plant and equipment	-	(24)
	<u>-</u>	<u>(24)</u>

7 Other interest receivable and similar income

	2020 £ 000	2019 £ 000
Interest income on bank deposits	2	4
	<u>2</u>	<u>4</u>

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	15,341	21,143
Social security costs	1,457	2,080
Pension costs, defined contribution scheme	1,074	1,443
	<u>17,872</u>	<u>24,666</u>

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Technician	437	422
Administration and support	69	71
	<u>506</u>	<u>493</u>

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	152	212
Contributions paid to money purchase schemes	16	22
Sums paid to third parties for directors' services	183	177
	<u>351</u>	<u>411</u>

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	183	212
Company contributions to money purchase pension schemes	-	22
	<u>-</u>	<u>22</u>

10 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of these financial statements	25	25
	<u>25</u>	<u>25</u>

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

11 Taxation

Tax charged/(credited) in the income statement

	2020 £ 000	2019 £ 000
Current taxation		
UK corporation tax	(97)	94
Deferred taxation		
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>-</u>	<u>(411)</u>
Tax receipt in the income statement	<u>(97)</u>	<u>(317)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit before tax	<u>1,201</u>	<u>4,666</u>
Corporation tax at standard rate	228	887
Effect of expense not deductible in determining taxable profit (tax loss)	(140)	(1,325)
Effect of tax losses	(57)	(35)
Capital allowances	(128)	(106)
Adjustment to tax charge in respect of prior periods	-	195
Carry forward corporation tax loss	-	505
Payment for group relief	-	(618)
Other tax adjustments	<u>-</u>	<u>180</u>
Total tax credit	<u>(97)</u>	<u>(317)</u>

Deferred tax

The Group has a deferred tax asset arising from unutilised losses carried forward of £484,000 which is included in the income tax debtor in note 13 (2019: £411,000). The remainder of the debtor amounting to £313,000 relates to R&D tax claims.

There is an unprovided asset in respect of depreciation in excess of capital allowances of £107,000 (2019: £157,000).

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

12 Intangible assets

Group

	Goodwill £ 000	Total £ 000
Cost or valuation		
At 1 January 2020	<u>4,265</u>	<u>4,265</u>
At 31 December 2020	<u>4,265</u>	<u>4,265</u>
Amortisation		
At 1 January 2020	4,071	4,071
Amortisation charge	<u>194</u>	<u>194</u>
At 31 December 2020	<u>4,265</u>	<u>4,265</u>
Carrying amount		
At 31 December 2020	<u>-</u>	<u>-</u>
At 31 December 2019	<u>194</u>	<u>194</u>

The carrying value of goodwill represents goodwill on the acquisition of Keith Borer Consultants by Orchid Cellmark Limited in 2015 and is being amortised over its estimated useful economic life of five years.

The aggregate amount of research and development expenditure recognised as an expense during the period is £1,020,000 (2019 - £1,559,000).

	2020 £ 000
Negative goodwill	
At 1 January 2020	(2,127)
Recognised in profit or loss	<u>1,161</u>
At 31 December 2020	<u>(966)</u>

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

13 Tangible assets

Group

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2020	4,624	7,501	12,125
Additions	23	292	315
Disposals	-	(283)	(283)
At 31 December 2020	<u>4,647</u>	<u>7,510</u>	<u>12,157</u>
Depreciation			
At 1 January 2020	4,237	6,983	11,220
Charge for the year	147	206	353
Eliminated on disposal	-	(283)	(283)
At 31 December 2020	<u>4,384</u>	<u>6,906</u>	<u>11,290</u>
Carrying amount			
At 31 December 2020	<u>263</u>	<u>604</u>	<u>867</u>
At 31 December 2019	<u>387</u>	<u>518</u>	<u>905</u>

Included within the net book value of land and buildings above is £263,000 (2019 - £387,000) in respect of short leasehold land and buildings.

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

14 Investments

Company

In view of the substantial losses incurred in 2017 and 2018 with resultant liabilities, LabCorp Inc. sold 100% of the share capital (£100 nominal value) in Orchid Cellmark Limited to DNACO Limited for £1 and this is the value the investment is held on the company's balance sheet.

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
Subsidiary undertakings				
Orchid Cellmark Limited	16 Blacklands Way, Abingdon, Oxon. OX14 1DY	Ordinary shares	100%	100%

Subsidiary undertakings

Orchid Cellmark Limited

The principal activity of Orchid Cellmark Limited is forensic analysis and consultancy.

15 Business combinations

The acquisition of Orchid Cellmark Limited in the prior period resulted in the creation of negative goodwill of £9,671,000.

The negative goodwill of £9,671,000 is being recognised in the profit and loss in the periods in which the non-monetary assets are recovered.

In the year to 31 December 2020 the amount recognised as negative goodwill written back in the profit and loss was £1,161,000.

The detail of the non-monetary assets recovered is shown below:

	Non-monetary assets brought forward £ 000	Non-monetary assets recovered £ 000	Non-monetary assets carried forward £ 000
Intangible assets acquired	194,000	(194,000)	-
Tangible assets acquired	647,000	(283,000)	364,000
	<u>841,000</u>	<u>(477,000)</u>	<u>364,000</u>

Of the non-monetary assets acquired amounting to £3,837,000, 12% of these or £477,000 were recovered in the year.

The negative goodwill (£9,671,000) is recognised to the extent that the non-monetary assets have been recovered (12%) giving the write back of negative goodwill in the profit and loss account of £1,161,000.

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

16 Stocks

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Raw materials and consumables	2,128	1,109	-	-
Work in progress	1,172	666	-	-
	<u>3,300</u>	<u>1,775</u>	<u>-</u>	<u>-</u>

Group

17 Debtors

		Group		Company	
	Note	2020	2019	2020	2019
		£ 000	£ 000	£ 000	£ 000
Trade debtors		4,865	5,547	-	-
Other debtors		105	187	-	-
Prepayments		830	551	-	-
Income tax asset	11	797	1,258	-	-
		<u>6,597</u>	<u>7,543</u>	<u>-</u>	<u>-</u>

18 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Cash at bank	<u>2,184</u>	<u>1,103</u>	<u>-</u>	<u>-</u>

19 Creditors

		Group		Company	
	Note	2020	2019	2020	2019
		£ 000	£ 000	£ 000	£ 000
Due within one year					
Loans and borrowings	23	22	-	-	-
Trade creditors		2,468	926	-	-
Social security and other taxes		1,938	1,342	-	-
Outstanding defined contribution pension costs		144	144	-	-
Other payables		(8)	-	-	-
Accruals		417	1,235	-	-
		<u>4,981</u>	<u>3,647</u>	<u>-</u>	<u>-</u>
Due after one year					
Loans and borrowings	23	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

20 Provisions for liabilities

Group

	Dilapidations £ 000	Total £ 000
At 1 January 2020	763	763
Increase (decrease) in existing provisions	(71)	(71)
At 31 December 2020	<u>692</u>	<u>692</u>

21 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,074,000 (2019 - £1,443,000).

Contributions totalling £144,000 (2019 - £144,000) were payable to the scheme at the end of the year and are included in creditors.

22 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
A ordinary shares of £0.001 each	<u>5,500</u>	<u>5.50</u>	<u>5,500</u>	<u>5.50</u>

Rights, preferences and restrictions

A ordinary shares have the following rights, preferences and restrictions:
Voting rights.

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

23 Loans and borrowings

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Non-current loans and borrowings				
Hire purchase contracts	28	-	-	-

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Current loans and borrowings				
Hire purchase contracts	22	-	-	-

24 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2020	2019
	£ 000	£ 000
Not later than one year	981	1,075
Later than one year and not later than five years	1,100	1,591
	<u>2,081</u>	<u>2,666</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,136,000 (2019 - £1,461,000).

25 Commitments

Group

Capital commitments

Capital commitments relate to fixed asset expenditure contracted for prior to the year end but not provided in the financial statements.

The total amount contracted for but not provided in the financial statements was £238,000 (2019 - £529,000).

DNACO Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

26 Related party transactions

Group

Summary of transactions with key management

Key management personnel are considered to be senior management. During the year key management personnel compensation was £723,000 (2019: £993,000).

27 Parent and ultimate parent undertaking

The ultimate controlling party is D Hartshorne.