Registered number: NI015738

Randox Laboratories Limited

Annual report and financial statements

for the financial year ended 30 June 2021

Randox Laboratories Limited

Contents | **Pages**

Randox Laboratories Limited

Directors and advisors

Directors

Dr. Peter Fitzgerald CBE FREng DL
Richard Kelly BSc FCA

Company secretary

Dr. Peter Fitzgerald

Registered office

Ardmore
55 Diamond Road
Crumlin
County Antrim
BT29 4QY

Solicitors

Tughans
Marlborough House
30 Victoria Street
Belfast
BT1 3GG

Bankers

Danske Bank Limited
42 High Street
Antrim
BT41 4AP

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Merchant Square
20-22 Wellington Place
Belfast
BT1 6GE

Strategic report for the financial year ended 30 June 2021

The directors present their strategic report on the company for the financial year ended 30 June 2021.

Principal activities and review of the business

Principal activities

Established in 1982, Randox Laboratories Limited ("Randox") undertakes research, development, manufacture and global distribution of innovative laboratory tests and analysers to enable the early and more accurate diagnosis of disease.

By identifying risk to health, improving clinical diagnoses and promoting preventative healthcare, Randox technologies aim to achieve better health outcomes whilst reducing the burden on clinical services. Improving the range, sensitivity and accuracy of diagnostic products will revolutionise healthcare, enabling earlier and more accurate clinical decision making.

Traditional Randox capabilities include Internal Quality Control (IQA), External Quality Assurance (EQA), clinical chemistry reagents and clinical chemistry analysers. Randox IQC is renowned for its stability and accurate value assignment and the company's global EQA scheme (RIQAS) is the largest in the world, with over 55,000 participants. These capabilities, ensuring the accuracy of laboratory results, are the bedrock of laboratory services.

As a major producer of clinical chemistry reagents, Randox offers the world's most comprehensive test menu and manufactures 10% of the world's cholesterol tests. Innovative reagent tests include Lp(a) and sLDL-Cholesterol for early detection of cardiovascular risk. Randox clinical chemistry analysers, ranging from semi-automated to 1200 tests per hour, are highly reliable and acknowledged as best in class.

Randox's unique innovation lies in its proprietary Biochip Technology, which allows multiple diagnostic tests to be conducted simultaneously, greatly improving the diagnostic power available to clinicians. Randox Biochip tests can be both proteomic (the testing of proteins that signal early onset of ill health) and genomic (the analysis of genetic material to determine any specific health risks in an individual's future.) Thus facilitating the earliest possible identification of any current or potential health issues and allowing early medical intervention.

Randox capabilities are constantly developing to meet demand, with up to 10% of turnover committed to research and development and approximately 700 research scientists and engineers dedicated to the improvement of current, and development of new products. Randox export to 145 countries globally and estimate that around 100,000 laboratories, or 20% of the world's total, are using some Randox products.

COVID-19 Testing

In early 2020, based on almost four decades of experience in diagnostic R&D, Randox recognised the threat from COVID-19 and quickly developed tests to accurately identify the virus. Randox's capability was recognised by the UK government and since March 2020 Randox has been contracted to provide COVID-19 testing support to the UK's Pillar 2 National Testing Programme. The company immediately pivoted to move from a 9-5 business to a 24|7 operation.

Through the enormous effort and commitment of its staff Randox has (at the time of writing) processed more than 23 million gold-standard PCR tests for the National Testing Programme and for international travel – providing a reliable service to enable COVID-safe travel which facilitates personal, family and business engagements and activities during the pandemic.

Demonstrating its commitment to helping people live their lives as easily and normally as possible, and to enhance accessibility to travel testing, the company partnered with major airlines including British Airways, Easyjet, Ryanair, Wizz Air, Cathay Pacific, and Jet2, travel providers such as TUI, and travel agents including the DNATA Travel Group, to provide discounted travel tests. By investing in testing capacity, logistic capabilities, and the introduction of a dedicated Customer Support team, Randox could make greater efficiencies that allowed it to reduce the price of PCR testing and become the most competitive service in the UK and Ireland.

During the 2020 Olympic Games, Randox got Team GB safely to the starting line in Tokyo by providing the Olympians with its premium COVID-19 testing, a service which it also provided for the ParalympicsGB athletes. A number of other sporting organisations opted to make Randox their COVID-19 testing provider of choice for their players and supporting staff, including the Irish Football Association, the US Men's National Soccer Team, and Premiership Rugby, to ensure a COVID-safe training environment. Using Randox diagnostic technologies, companies like Norbrook Laboratories and Northern Ireland Screen were able to implement a staff screening programme that demonstrated a high standard of duty of care to their employees.

Strategic report for the financial year ended 30 June 2021 (continued)

COVID-19 Testing (continued)

As and when required, Randox rapidly established new customer-focused services catered to the needs of the ever-changing travel testing guidelines. In May 2021, for example, Randox launched a 'test to return' service for UK holidaymakers returning home from Portugal and requiring predeparture tests before their return flight. In a first for the industry, passengers were able to take their PCR kit to Portugal and return their sample to one of Randox's partner labs in the Algarve, before Randox flew the samples back to its labs in the UK for testing.

The company provides tests for COVID-19 antibodies, as well as lateral flow testing services, where such tests satisfy international travel requirements, and has developed an innovative phone app to securely process and verify customer identification and results in just 15 minutes.

Randox has amongst the very largest laboratories in Europe and since the start of the pandemic has built, equipped and staffed 80,000 sq ft of PCR testing facilities, in Northern Ireland, Manchester and Greater London, and 50,000 sq ft of supporting logistic and engineering space. Randox has opened a number of mobile testing labs as well as almost 30 travel clinics, for COVID-19 testing appointments and over-the-counter home testing kit purchases. Walk-through and drive-through test centres have opened across a number of key airport locations, some in partnership with renowned travel services provider Collinson.

Randox is the only testing provider in the UK within this reporting period to have reported over 100,000 PCR results in a single day. Turnaround times for test results are rigorously monitored to meet the needs of both Government and private customers.

The company has more than doubled its workforce since 2020 and has developed a robust and comprehensive nationwide logistics network for the timely distribution and return of sample collection kits and samples. In collaboration with reputable partners including Morrisons supermarkets, Wells Pharmacies, Roadchef and PayPoint, Randox has established almost 200 PCR sample dropboxes and over 1,500 click and collect sites, with the aim of improving customer accessibility and simplifying the process of COVID-19 testing requirements.

By responding rapidly, dynamically and cost-effectively to an ever-changing environment, with updates to travel testing requirements often being made at short notice, Randox has played an important role in managing the effects of the pandemic in both the UK and Ireland, facilitating safe social and economic activity, including international travel.

Other Recent Innovations

In support of the company's COVID-19 testing programme, Randox's in-house team of dedicated engineers developed and deployed several new innovations to improve the speed and efficiency of sample analysis, including but not limited to state-of-the-art robotics equipped for sample receipt and batching, specialised laboratory equipment for the extraction of viral material from patient samples, and bespoke IT software, including sample scanning and tracking, to facilitate an end-to-end testing process. In recognition of their contributions to fighting COVID-19 the Randox IT team were named as IT Company of the Year at the Belfast Telegraph IT Awards 2021.

A specialist testing machine, named the Randox Discovery, is also under development to improve the efficiency of COVID-19 testing. The analyser consolidates the normal workload of multiple laboratories into one compact benchtop analyser, processes 48 patient samples every hour, and can be adapted for other areas of testing including respiratory and sexually transmitted infections. Similarly, the Vivalytic, a point-of-care analyser that can deliver results in just 30 minutes, reports on 23 viral and bacterial pathogens, providing clinicians with the information required to correctly identify infections and prescribe the appropriate treatment – reducing the misuse of antibiotics and supporting their targeted use.

In veterinary diagnostics, Randox has launched the VeraSTAT-V, a stable-side device designed to detect levels of inflammation in horse blood in a matter of minutes. Early detection of inflammatory states following joint injury, infection, competition or surgery, means treatment plans can start sooner, recovery periods are shorter, and the horse can return to health much sooner. In other areas of the business, such as Quality Control, strides have been made to further enhance the accuracy and reliability of results, with new products including a range of controls for ToRCH, a blood screening to detect infectious diseases in newborns.

With an increased understanding of the importance of diagnostics and testing across society, Randox, a company founded with the ultimate aim of saving lives, has further plans in place to convert that better understanding into the improvement of people's health in the future. Plans are in place for the launch of further new products, including home testing kits for vitamin deficiencies, male and female hormone tests, and specialised heart screenings. Randox is clear that better diagnostics are unquestionably critical to future improvements within healthcare and is committed to remaining at the forefront of that field.

Strategic report for the financial year ended 30 June 2021 (continued)

Community and Environment

In order to give back to its local and wider community, Randox hosts a variety of annual events, sponsors a range of organisations and fundraises for local charities.

Some of the great charities Randox has supported include Macmillan Cancer Support, Hope 365, The Cystic Fibrosis Trust, and the Princes Trust. The company continues to sponsor the Camerata Ireland orchestra, a partnership which allows Randox to simultaneously support young Irish musicians in their careers while also strengthening key business relationships and promoting exports, as well as a number of local events in Northern Ireland including the Randox Antrim Show, offering the chance to recognise and support the area's agricultural roots.

For Randox's official charity partners, The Townland Boxing Club and The Tim Cogley Cardiac Screening Foundation, Randox fundraises through a range of events and initiatives throughout the year, including individual staff fundraising activities, an annual staff fun day, Randox Fest, and a Christmas Raffle, an event which alone has raised more than £8500 for the charities since 2019.

In recent years, Randox raised more than £14,000 for AWARE NI and Ulster University's Mind Your Mood, charities which aim to break down the stigma of mental health and provide wellbeing programmes and support for those experiencing mental health conditions.

Performance and position

The company reported a profit for the financial year of £177,381,000 (18 month period ended 30 June 2020: restated profit of £1,225,000) on a turnover of £547,701,000 (18 month period ended 30 June 2020: £181,032,000). At the year end the company had net assets of £170,633,000 (2020: £16,983,000).

The profit for the year includes exceptional debit items of £38,243,000 (18 month period ended 30 June 2020: restated to £45,346,000) as detailed out in note 6. Included within costs of sales are an exceptional impairment of intangible assets of £12,559,000 (18 month period ended 30 June 2020: £19,624,000) an impairment of tangible assets of £19,162,000 (18 month period ended 30 June 2020: £nil) and a provision for Antibody stock of £Nil (18 month period ended 30 June 2020: £11,296,000). These exceptional items arose as a result of the current group's focus on COVID testing activity and therefore the reduced focus on any non-COVID related activity. Included in administrative expenses are a provision for related party debts of £1,052,000 (30 June 2020: restated to £14,692,000), a provision for other receivables of £1,720,000 and £3,750,000 increase in provision for re-testing costs (18 month period ended 30 June 2020: £266,000 decrease). Further detail on these exceptional items is provided in note 6.

Key performance indicators (KPI's)

The company's key performance indicators are gross profit margin, operating profit margin, adjusted profit before tax and adjusted EBITDA ("Earnings before interest, tax, depreciation, amortisation, impairments, exceptional items and FX"). The performance of these key performance indicators is as follows:

	Year ended 30 June 2021	18 month period ended 30 June 2020 (restated)
Gross profit margin (excluding exceptional items)	**52.0%**	47.7%
Operating profit margin (excluding exceptional items)	**47.1%**	27.8%
Adjusted EBITDA (£'000)	**266,903**	56,903
Employee numbers	**1,582**	901

Strategic report for the financial year ended 30 June 2021 (continued)

Key performance indicators (KPI's) (continued)

A reconciliation of Adjusted EBITDA is set out below:

	Year ended 30 June 2021 £'000	18 month period ended 30 June 2020 (restated) £'000
Operating profit	219,528	4,969
Depreciation of tangible assets	5,552	4,789
Profit on disposal of tangible assets	-	(4,597)
Amortisation of intangible assets	4,942	5,408
Exceptional item - Impairments of intangible assets	12,559	19,624
Exceptional item - Impairments of tangible assets	19,162	-
Exceptional item – Impairment of related party balances	1,052	14,692
Exceptional item – Impairment of other receivable	1,720	-
Exceptional item – Retesting provision movement	3,750	(266)
Exceptional item – Impairment of stock - Antibodies	-	11,296
Foreign exchange movement ("FX")	(1,362)	988
Adjusted earnings before interest, tax, depreciation, amortisation, impairments, exceptional items and FX	266,903	56,903

Going concern

The group, of which the company is a member, meets its day to day working capital requirements through its current cash reserves and a bank loan facility with Danske which expires in August 2022. The group performance in the 2021 year has been extremely positive, the group is cash generative and is forecast to remain cash positive. The group has been positively impacted as a result of the COVID-19 pandemic and expects future trading results to reflect this as a result of further sales from COVID-19 testing services and testing kit products. Following the COVID-19 pandemic, the company has taken steps to limit the risk to employees in accordance with guidance issued. These include implementing social distancing measures and providing additional PPE and screens between workstations.

The group has prepared cash flow forecasts along with a range of scenarios to 30 June 2023, applying different sensitives to revenue, which indicate that the group and company can continue as a going concern for a period of at least 12 months from the signing of the financial statements. Cashflow forecasts have been prepared to illustrate a base case scenario and a severe but plausible downside trading and cashflow position. In the severe but plausible downside scenario there remains significant headroom in the minimum cash balance over the period to 30 June 2023 and therefore the directors have satisfied themselves that the group has adequate funds in place to continue in operational existence for the foreseeable future.

The group has provided a letter of support for the company.

The directors' expectation is that the company and the group will have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Strategic report for the financial year ended 30 June 2021 (continued)

S172 statement

This section describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the directors' statement required under the Companies (Miscellaneous Reporting) Regulations 2018.

The Board has approved a Code of Ethics which sets out Randox's approach to responsible and ethical business behaviour with the underlying principle that everyone working for Randox, including the directors, must adhere to the highest standards of integrity, loyalty, fairness and confidentiality, including meeting all legal and regulatory requirements. Specific policies and procedures on the prevention, detection and investigation of fraud, bribery and corruption and modern slavery have been approved by the Board.

As part of the Board's role it seeks to ensure that it is cognisant of the long-term impact of any decisions. To that end, the Board periodically reviews the company's strategy and regularly seeks updates on strategic issues which may impact the business. Additionally, the Board requires management to prepare annually a Business Plan for the following year, including projections and funding requirements for the following year, as well as completing a review of business risks, both principal and emerging. In that context, any matters presented to the Board for approval need to align with the company's strategy and Business Plan.

Employees

Ensuring the health, safety and wellbeing of employees is the number one value at the core of Randox business operations, with the aim to provide a zero-harm working environment where risks to health and safety are assessed and controlled. The Health & Safety section of the Operational Review provides detail on how the company sought to achieve this during the period. The Board approves the annual Health, Safety and Wellbeing Plan and considers updates on progress against the plan at each meeting. The Board considers and approves annually the Health and Safety Policy and Health and Safety Management System.

Customers

Randox customers include large health care providers and distributors both in the public and private sectors. These customer groups are key stakeholders with well established engagement channels in place.

During the year the Board monitored customer service performance, receiving regular information on customer orders and the level of complaints.

Regulators

Other than suppliers and customers, the Board has identified a number of other key stakeholders. We are regulated by various bodies across the world to enable us to sell our products in the applicable countries, these include MHRA, HPRA and FDA. BSI and UKAS ensure that we comply with our various ISO accreditations.

Suppliers

The Board recognises the key role suppliers play in ensuring Randox delivers a reliable service to customers: in supplying materials for our products as well as the provision of essential managed services to the business.

The Board ensures that formal contract management arrangements are in place throughout the duration of supplier contracts. The Board received updates during the year on supplier payment practices.

Along with other members of the Executive Committee, the executive directors oversee the relationships with key suppliers, with other Board members having opportunities to meet informally with key suppliers on occasions.

Strategic report for the financial year ended 30 June 2021 (continued)

Community and environment

From a small company in 1982, to a large global organisation with over 2,200 employees (at the date of this report), we are appreciative of the support we have received on our journey. As such, we aim to give back to our local and wider community, and do this by hosting a variety of annual events, sponsoring some incredibly worthy organisations and fundraising for local charities.

Some of the great charities we have supported include Macmillan Cancer Support, Hope 365, The Cystic Fibrosis Trust, and the Princes Trust.

Not forgetting our official charities partners, The Townland Boxing Club and The Tim Cogley Cardiac Screening Foundation, for whom we fundraise through a range of events and initiatives throughout the year, including individual staff fundraising activities, our annual staff fun day, Randox Fest, and our popular Christmas Raffle.

How stakeholders' interests have influenced decision making

Randox recognises the importance of engaging with stakeholders to help inform strategy and Board decision-making. Relevant stakeholder interests, including those of employees, customers, suppliers, regulators and others are taken into account by the Board when it takes decisions. Principal decisions are those which are material, or of strategic importance, and also those which are significant to any of Randox's key stakeholder groups.

Principal risks and uncertainties

The directors of the immediate parent company, Randox Holdings Limited, manage the group's risks at a group level rather than at an individual company level. For this reason, the company's directors believe that a discussion of the group's risks would be inappropriate for an understanding of the development, performance or position of Randox Laboratories Limited's business.

Future developments

The company's strategy is to continue to build on the philosophy of providing world class diagnostic products to improve healthcare and create shareholder value by investing for the long term and by positioning the company to be the leader in its chosen markets. The performance for the year under review reflects further sustained progress towards achieving this long term objective and at the same time maintaining the company's strong balance sheet. The company has been positively impacted as a result of the COVID-19 pandemic and expects future trading results to reflect this as a result of further sales from COVID-19 testing services and testing kit products. However, as the number of COVID-19 cases and testing requirements reduce in future periods, this will directly impact and reduce the company's future level of turnover and profits.

This report was approved by the board and signed on its behalf on 8 June 2022 by:

Dr. Peter Fitzgerald CBE FREng DL
Director

Richard Kelly BSc FCA
Director

Directors' report for the financial year ended 30 June 2021

The directors present their annual report and the audited financial statements of the company for the financial year ended 30 June 2021.

Future developments

The section on future developments, which is detailed in the strategic report, is included in this report by cross reference.

Principal risks and uncertainties

The business of the company faces risks and uncertainties that vary depending on the current trading and economic environment. These are summarised below:

- Disruption to classical diagnostic markets as a result of pandemic pressures. This risk is considered to be moderate, though initial indications are that the requirement for on-going laboratory testing will remain high.
- Disruption to supply chains as a result of the pandemic. This risk is moderated by a high level of vertical integration and a capable and experienced supply chain management team.
- Surge requirements, of both equipment and personnel, to meet high volume COVID-19 testing requirements. This risk is moderated by a proactive equipment purchasing policy and early staff recruitment – assisted by negative pressures elsewhere in the economy.
- The aftermath of Brexit combined with the impact on Northern Ireland of post-Brexit implications and the associated uncertainties remain a consideration for the company's operations. The Directors will continue to monitor the situation giving consideration to likely outcome scenarios and developing appropriate mitigation approaches.
- COVID-19 has provided challenges to the company that have impacted the intangible and tangible assets of the company as the business has responded to expected market needs and this has resulted in some impairments being recognised in the current financial year. There are future unknown potential risks and uncertainties which could impact the company's trading activities and assets as the world emerges out of the pandemic. The Directors will continue to monitor and react to the pandemic as necessary.

Whilst the end of this financial year is marked by uncertainties across global markets, the Directors are confident that the management systems and processes are in place to ensure positive outcomes.

Financial risk management

The company's operations expose it to a variety of financial risks that include price risk, foreign exchange risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set out by the board of directors are implemented by the company's finance department.

Price risk

In terms of pricing risk, the risk of the company receiving low prices compared to market levels is mitigated by the use of up-to-date market intelligence and internal review of pricing assumptions. The company does not have a major exposure to commodity price risk as a result of its operations and is not exposed to equity securities price risk as it holds no listed investments.

Foreign exchange risk

The company's sales are worldwide and therefore the company is exposed to movement in exchange rates. The company also sources raw materials worldwide, this provides partial hedging and therefore reduces the risk of exchange rate movements, it also operates currency bank accounts. Company policy is to minimise the exposure of overseas subsidiaries to transaction risk by matching local currency income and costs. The company has also used financial instruments to hedge foreign exchange exposure and this position is kept under review.

Directors' report for the financial year ended 30 June 2021 (continued)

Credit risk

The company's principal financial assets are bank balances, cash, trade and other debtors. The company's credit risk is primarily attributable to these amounts. Trade and other debtor amounts presented in the balance sheet are net of allowances for doubtful receivables. The risk in relation to trade debtors is managed through the ongoing review of the aged profile of the debt, thereby monitoring credit given and optimising the recoverability of the balance on an ongoing basis. The company has no significant concentration of credit risk with the total exposure spread over a number of debtors.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long term and short term finance.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances which earn interest at both fixed and variable rates. The company debt is primarily maintained at variable rates although it also utilises a number of fixed rate loans.

Environment and corporate responsibility

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments for employees and customers alike. The company exercises a strong commitment towards the maintenance of a healthy and safe working environment and provides training in safety procedures for its employees both in practical terms and in the issue of safety policies, notifications and publications to raise and maintain awareness to safety matters.

Employees and employee participation

The company applies the principles of fairness and equality of opportunity to both able bodied and disabled in its employment and recruitment policies.

It is the policy of the company to encourage the employment, training and advancement of disabled persons wherever possible. In the event of an employee becoming disabled while in the employment of the company, effort is made to provide a suitable alternative position within the company.

The employees of the company are kept informed on matters through meetings and announcements.

The company maintains an internal Human Resources Department which provides induction and ongoing training and advice in all disciplines of employment policies, procedures and legislation and staff development.

Going concern

The section on going concern which is detailed in the strategic report is included in this report by cross reference.

Directors' report for the financial year ended 30 June 2021 (continued)

Results, dividends and distributions

The results for the company show a profit for the financial year of £177,381,000 (18 month period ended 30 June 2020: restated profit of £1,225,000). A dividend of £Nil (18 month period ended 30 June 2020: £15,850,000) was paid during the year. The directors do not recommend a final dividend be paid (18 month period ended 30 June 2020: £nil).

Distributions of £23,731,000 (18 month period ended 30 June 2020: restated - £16,137,000) in relation to the waiver of related party debt from entities that are outside of the Randox Holdings Limited group but are part of the wider Randox (IOM) Limited group were made during the year. Further details are provided in note 25. The company identified an error in accounting for the waiver of related party debt that has been corrected in the current period amounting to £16,137,000 adjusted to reserves and correcting the impairment of related party balances. Further details are provided in note 27.

Directors

The directors who served during the year and up to the date of these financial statements were signed, were:

Dr. Peter Fitzgerald
Richard Kelly

Political donations

No donations for political purposes were made during the year (18 month period ended 30 June 2020: £nil).

Overseas branches

Overseas branches of the company are listed in note 23 to the financial statements.

Research and development activities

The company is strongly committed to research and development activities in order to secure and enhance its market position. Research expenditure in the year was expensed as incurred and research continued to be a significant focus of the company. Development expenditure of £2.8m (18 month period ended 30 June 2020: £12.7m) was incurred during the year and capitalised as shown in note 12.

Statement of engagement with suppliers, customers and others in a business relationship with the company

A summary of how the group engages with suppliers, customers and others is included in the Stakeholder relationships section of the Strategic Report.

Directors' report for the 12 month financial year ended 30 June 2021 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company auditors in connection with preparing their report and to establish that the company auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf on 8 June 2022 by:

Dr. Peter Fitzgerald CBE FREng DL
Director

Richard Kelly BSc FCA
Director

Independent auditors' report to the members of Randox Laboratories Limited

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph below, Randox Laboratories Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 30 June 2021; the Profit and loss account and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for qualified opinion

Included within the company's costs of sales are £28,983,000 of biochips purchased from Randox Teoranta (a fellow group company) for use in COVID-19 testing services. We were unable to obtain sufficient appropriate audit evidence in relation to the completeness and accuracy of the quantity purchased as the company did not maintain records of amounts dispatched and received. The company has not recognised any stock of these biochips at 30 June 2021 and did not perform an inventory count at that date for these biochips. We were therefore unable to obtain sufficient appropriate audit evidence by using other audit procedures. Consequently, we were unable to determine whether any adjustments to costs of sales or stocks were necessary. Our audit opinion has been qualified in this respect.

Included within the company's stock balance is own manufactured Antibody stock of £12,554,000 which is fully provided for and recognised at £nil value at 30 June 2021. We were unable to obtain sufficient appropriate audit evidence over the carrying value of these stock items as although production has continued throughout the year, we do not have evidence over their future value and usage. Consequently, we were unable to determine what the value of Antibody stock should be and whether any adjustments to costs of sales or stocks were necessary. Our audit opinion has been qualified in this respect.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Independent auditors' report to the members of Randox Laboratories Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report
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 year ended 30 June 2021 is consistent with the financial statements and, except for the possible effects of the matters referred to in the Basis for qualified opinion paragraph above, has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, except for the possible effects of the matters referred to in the Basis for qualified opinion paragraph above, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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.

Independent auditors' report to the members of Randox Laboratories Limited (continued)

Responsibilities for the financial statements and the audit (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax regulations, 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 financial statements such as 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 posting inappropriate journal entries to manipulate financial results, including revenue recognition and manipulation of EBITDA, and management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of the effectiveness of management's controls designed to prevent and detect irregularities;
- Identification and testing of significant manual journal entries; and
- Testing of assumptions and judgements made by management in making significant accounting estimates

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. 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 for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

In respect solely of the limitation on our work relating to the company's own manufactured Antibody stock and the purchases of Biochips and Biochip stock, described in the Basis for qualified opinion paragraph above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit;

In respect solely of the limitation on our work relating to the company's purchases of Biochips and Biochip stock, described in the Basis for qualified opinion paragraph above, in our opinion adequate accounting records have not been kept by the company.

Under the Companies Act 2006 we are also required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Martin Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Belfast
8 June 2022

Profit and loss account for the financial year ended 30 June 2021

	Notes	Year ended 30 June 2021 £'000	18 month period ended 30 June 2020 (restated *) £'000
Turnover	5	**547,701**	181,032
Cost of sales		**(294,766)**	(132,656)
Cost of sales analysed as:			
Exceptional items	6	**(31,721)**	(30,920)
Non-exceptional cost of sales		**(263,045)**	(101,736)
Gross profit		**252,935**	48,376
Administrative expenses		**(41,507)**	(56,035)
Administrative expenses analysed as:			
Exceptional items	6	**(6,522)**	(14,426)
Non-exceptional administrative expenses		**(34,985)**	(41,609)
Other operating income	7	**8,100**	12,628
Operating profit	7	**219,528**	4,969
Interest payable and similar expenses	10	**(210)**	(554)
Profit before tax		**219,318**	4,415
Tax on profit	11	**(41,937)**	(3,190)
Profit for the financial year/period		**177,381**	1,225

* For more details on the restatements refer to note 27. These restatements had no impact on previously reported profit excluding exceptional items.

The notes on page 18 to 38 are an integral part of these financial statements.

Randox Laboratories Limited

Balance sheet as at 30 June 2021

	Notes	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	12	**4,045**	18,294
Tangible assets	13	**54,797**	48,318
Investments	14	**335**	335
		59,177	66,947
Current assets			
Stocks	15	**57,611**	34,212
Debtors	16	**149,373**	90,701
Cash at bank and in hand		**79,796**	-
		286,780	124,913
Creditors: amounts falling due within one year	17	**(169,525)**	(168,772)
Net current assets/(liabilities)		**117,255**	(43,859)
Total assets less current liabilities		**176,432**	23,088
Creditors: amounts falling due after more than one year	18	**(1,473)**	(1,939)
Provisions for liabilities	19	**(4,326)**	(4,166)
Net assets		**170,633**	16,983
Capital and reserves			
Called up share capital	20	**88**	88
Other reserves		**2**	2
Retained earnings		**170,543**	16,893
Total shareholders' funds		**170,633**	16,983

The notes on pages 18 to 38 are an integral part of these financial statements.

The financial statements of Randox Laboratories Limited, registered number NI 015738, on pages 15 to 38 were approved by the Board of Directors and signed on behalf of the Board of Directors on 8 June 2022 by:

Dr. Peter Fitzgerald CBE FREng DL
Director

Richard Kelly BSc FCA
Director

Registered number: NI015738

Statement of changes in equity for the year ended 30 June 2021

	Called-up share capital £'000	Other reserves £'000	Profit and loss account (restated *) £'000	Total shareholders' funds (restated *) £'000
Balance as at 1 January 2019	88	2	47,655	47,745
Loss and total comprehensive expense for the financial period as previously reported	-	-	(14,912)	(14,912)
Prior year adjustment (note 27)	-	-	16,137	16,137
Profit and total comprehensive income for the financial period (restated)	-	-	1,225	1,225
Transactions with owners recognised directly in equity:				
Dividends	-	-	(15,850)	(15,850)
Prior year adjustment - Distribution - Waiver of related party debt (restated) (notes 25 & 27)	-	-	(16,137)	(16,137)
Balance as at 30 June 2020	88	2	16,893	16,983

	Called-up share capital £'000	Other reserves £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance as at 1 July 2020	88	2	16,893	16,983
Profit and total comprehensive income for the financial period	-	-	177,381	177,381
Transactions with owners recognised directly in equity:				
Distribution - waiver of related party debt (note 25)	-	-	(23,731)	(23,731)
Balance as at 30 June 2021	**88**	**2**	**170,543**	**170,633**

* For more details on the restatements refer to note 27. These restatements had no impact on previously reported profit excluding exceptional items.

Notes to the financial statements for the year ended 30 June 2021

1 General information

Randox research, develop, manufacture, market and sell, globally, innovative healthcare diagnostic products to enable the early and more accurate diagnosis of disease. The company is a private company limited by shares and is incorporated in Northern Ireland in the United Kingdom. The address of its registered office is Ardmore, 55 Diamond Road, Crumlin, Co. Antrim, BT29 4QY.

2 Statement of compliance

The individual financial statements of Randox Laboratories Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Accounting policies

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.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The group, of which the company is a member, meets its day to day working capital requirements through its current cash reserves and a bank loan facility with Danske which expires in August 2022. The group performance in the 2021 year has been extremely positive, the group is cash generative and is forecast to remain cash positive. The group has been positively impacted as a result of the COVID-19 pandemic and expects future trading results to reflect this as a result of further sales from COVID-19 testing services and testing kit products. Following the COVID-19 pandemic, the company has taken steps to limit the risk to employees in accordance with guidance issued. These include implementing social distancing measures and providing additional PPE and screens between workstations.

The group has prepared cash flow forecasts along with a range of scenarios to 30 June 2023, applying different sensitives to revenue, which indicate that the group and company can continue as a going concern for a period of at least 12 months from the signing of the financial statements. Cashflow forecasts have been prepared to illustrate a base case scenario and a severe but plausible downside trading and cashflow position. In the severe but plausible downside scenario there remains significant headroom in the minimum cash balance over the period to 30 June 2023 and therefore the directors have satisfied themselves that the group has adequate funds in place to continue in operational existence for the foreseeable future.

The group has provided a letter of support for the company.

The directors' expectation is that the company and the group will have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Consolidated financial statements

These financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent undertaking of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its immediate parent undertaking, Randox Holdings Limited, a company incorporated in Northern Ireland.

Notes to the financial statements for the year ended 30 June 2021 (continued)

3 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- a reconciliation of the number of shares outstanding at the beginning and end of the period;
- the requirement to prepare a statement of cash flows;
- certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated; and
- the non-disclosure of key management personnel compensation in total.

Intangible assets

Development expenditure:

Development expenditure relating to diagnostic products manufactured by the company is 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 capitalised and amortised over the period during which the company is expected to benefit. This period is typically three years. Provision is made for any impairment.

Capitalised development costs include external direct costs of material and services together with direct labour costs and overheads relating to development expenditure. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Patents and licences:

Product licences and patents acquired are capitalised and amortised over their useful economic life which is typically ten years. They are carried at historical cost less accumulated amortisation and impairment losses.

Amortisation and useful life:

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Development expenditure – typically 3 years
- Patents and licences – 10-20 years

Amortisation is charged to cost of sales in the Profit and loss account.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Notes to the financial statements for the year ended 30 June 2021 (continued)

3 Accounting policies (continued)

Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

(i) Buildings

Buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Plant and machinery, and office equipment

Plant and machinery, and office equipment, are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation and residual values

Depreciation is calculated to allocate the depreciable amount to their residual values over their estimated useful lives, as follows:

Freehold land	0%
Buildings	5% straight line
Plant and machinery	20% - 25% reducing balance except for analyser machines which are straight line
Office equipment	20% reducing balance

Plant and machinery depreciation is charged to cost of sales in the Profit and loss account, with all other depreciation charged to administrative expenses.

The carrying values of tangible fixed assets are reviewed annually for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(iv) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the group and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(v) Assets in the course of construction

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use and are reviewed for impairment at each reporting date.

(vi) Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Administrative expenses'.

3 Accounting policies (continued)

Leased assets

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful economic life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Investments

Investment in subsidiary companies and associates are held at cost less accumulated impairment losses.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, director labour and an attributable proportion of manufacturing overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the standard cost method. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

3 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Government grants

Capital based grants on tangible fixed assets are shown as deferred income and credited to the profit and loss account by instalments on a basis consistent with the depreciation policy of the relevant assets. Grants relating to revenue expenditure are credited to profit and loss account on an earned and due for payment basis.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The company recognises revenue when (i) the significant risks and rewards of ownership have been transferred to the buyer; (ii) the company retains no continuing involvement or control over the goods; (iii) the amount of revenue can be measured reliably; and (iv) it is probable that future economic benefits will flow to the company.

(i) Goods

Revenue in respect of goods is recognised upon customer receipt or on transfer of control depending upon the contractual terms agreed with the customer, that is when the products have been delivered to the customer's specified location or have been collected by the customer or as agreed, made available to the customer.

(ii) Services

Revenue in respect of services provided, including COVID testing services is recognised on a straight line basis over the period in which the service is provided.

Provisions and contingencies

(i) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

3 Accounting policies (continued)

Exceptional items

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

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

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and amounts owed to group undertakings and related parties, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

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

3 Accounting policies (continued)

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in equity. In this case tax is also recognised in equity. Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only 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 tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Foreign currency

(i) Functional and presentation currency

The company's functional and presentation currency is pound sterling.

(ii) Transactions and balances

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.

Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in equity.

Related party transactions

The company discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

3 Accounting policies (continued)

Employee benefits

The company provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognized as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The company operates a defined contribution scheme for specific directors and employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4 Critical accounting judgements and estimation uncertainty

In the application of the company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported in the financial statements. Actual amounts and results may differ from those estimates.

The Directors regularly evaluate the estimates and judgements. Any revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period or prior periods, or in the period of the revision and future periods if the revision affects both current and future periods.

The key accounting judgements and estimates included in the company's financial statements are discussed below.

(a) Critical judgements in applying the entity's accounting policies

Capitalisation of intangible assets

The company capitalises development costs relating to the development of the company's products, where the costs meet the recognition criteria FRS 102. Judgement is required in applying the capitalisation criteria of FRS 102 and determining the point at which the qualifying criteria are met, differentiating between development and research, and in assessing an expected useful life of the resulting development expenditure including an assessment of when capitalised expenditure is impaired. These judgements have a significant impact on the recognition of intangible assets.

During the year £3.3m (18 month period ended 30 June 2020: £13.5m) was capitalised with £2.8m (18 month period ended 30 June 2020: £12.7m) relating to development expenditure and £0.5m (18 month period ended 30 June 2020: £0.8m) relating to patents and licences. In establishing the principles on which the costs are capitalised, the Directors have reviewed the nature of work being performed under the different phases of the project and the nature of the associated deliverables against the capitalisation criteria of FRS 102 and have identified the activities through the life of the project where the related costs should be expensed through the income statement. Judgement is required each year to assess whether the expenditure meets the capitalisation criteria of FRS102.

4 Critical accounting judgements and estimation uncertainty (continued)

Valuation of Antibodies

In the 18 month period ended 30 June 2020 the company provided in full for the value of internally generated antibodies held in inventory due to the current lack of use of them by the company and this resulted in a provision of £11,296,000. Judgement is required each year by the directors in assessing and concluding on the continued carrying value of the Antibodies with reference to the ongoing use of them by the company and the company's future plans around sale or internal use. At the 30 June 2021, the directors have concluded that it is still appropriate to continue to fully provide for the antibodies and carry them at £nil value.

(b) Key accounting estimates and assumptions

Intangible asset impairment

Intangible assets are amortised. The company reviews their carrying amount at each balance sheet date or if events occur which call into question the carrying values of the assets. The assumption relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and therefore inherently include an element of management judgement. Future events could cause the assumptions used in these impairments tests to change which may in turn mean future impairment charges to be recognised.

Tangible asset impairment

Tangible assets are depreciated. The company reviews their carrying amount at each balance sheet date or if events occur which call into question the carrying values of the assets. The assumption relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and therefore inherently include an element of management judgement. Future events could cause the assumptions used in these impairments tests to change which may in turn mean future impairment charges to be recognised.

Provision for slow moving or defective inventory

The provision for slow-moving inventory is based on management's estimation of the future sales of each of the company's products over the period from the balance sheet date to the expiry date of the product. In the current period a judgement was made to fully provide for the stock of Antibodies carried by the company.

Provision for bad or doubtful debts

The company has significant trade receivable balance from a large number of customers at any given point in time and further to that, significant debtor balances from related party entities. Consequently estimating the required provision for such debtors requires a regular review to identify those entities where events (either historical or current) give management an indication that future collectability may be uncertain.

Taxation

The company is subject to income taxes in various jurisdictions. Significant judgement is employed to determine the income tax provision on a global basis. There are numerous transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax issues based on estimated of whether additional taxes will be due. Where the final tax outcome of these matters differs from amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Re-testing provision

This re-testing provision was made to provide for the costs to be incurred relating to samples that require retested due to errors noted related to a contract for testing where errors were identified during 2017. As part of the calculation of the provision the company has made estimates around the number of customer samples to re-test and the average cost of each re-test and estimated future associated costs required to resolve the issue.

5 Turnover

An analysis of turnover by geography and category has not been included because, in the opinion of the directors, the disclosure of such information would be seriously prejudicial to the interests of the company.

Notes to the financial statements for the year ended 30 June 2021 (continued)

6 Exceptional items

The profit for the year includes exceptional items of £38,243,000 (18 month period ended 30 June 2020: restated to £45,346,000) with £31,721,000 (18 month period ended 30 June 2020: £30,920,000) through cost of sales and £6,522,000 (18 month period ended 30 June 2020: restated to £14,426,000) through administrative expenses.

Included within costs of sales are the following exceptional items:

a) Impairment of intangible assets of £12,559,000 (18 month period ended 30 June 2020: £19,624,000)
b) A provision for Antibody stock of £Nil (18 month period ended 30 June 2020: £11,296,000); and
c) Impairment of tangible assets of £19,162,000 (18 month period ended 30 June 2020: £nil)

The impairment of intangible assets exceptional item arose as a result of the company's current focus on COVID testing activity, which resulted in some of the R&D projects being placed on hold. There is a risk that the resulting delay in the completion of some of the R&D projects will impact on their ultimate commercial viability and therefore following an impairment review performed, these assets were written down totalling £9,334,000 with a further intangible impairment of patents and licences of £3,225,000 giving a total intangible impairment of £12,559,000. Included in the £9,334,000 impairment of R&D projects is £2,435,000 of development expenditure impaired that was in relation to the development of the Discovery machines.

The tangible asset impairments of £19,162,000 relate to the costs incurred in developing the Randox Discovery machines.

£20,462,000 was capitalised in relation to the construction costs of the Discovery machines and this includes £7,186,000 of machine parts. Following an impairment review of the ability to generate probable future economic benefits, the machines included in tangible assets has been impaired by £19,162,000 as they have no current value in use or ability to be sold in the market at present. The Discovery machines development has been impacted by technical issues and while it was originally planned that these machines would be used for COVID testing, there is currently no need for them in the business, due to the development of alternative testing capabilities. The current plans for the Discovery machines are to develop the machines as a customer product for resale.

Following a review of the machine parts, £1,300,000 of the £7,186,000 parts purchased and capitalised as part of the total costs of £20,462,000 has been identified as having value and has been transferred to stocks with £7,186,000 transferred from cost and £5,886,000 of the impairment transferred to stock as the provision against the parts to recognise £1,300,000 of stock value.

In the prior year there was an exceptional item of £11,296,000 for the impairment of antibody stock to fully provide for them, due to the current lack of use of them by the company. At the 30 June 2021, the directors have concluded that it is still appropriate to continue to fully provide for the antibodies and carry them at £nil value.

Included in administrative expenses are the following exceptional items:

a) Impairment for related party receivables of £1,052,000 (18 month period ended 30 June 2020: restated to £14,692,000) relating to group and related party debtors;
b) Impairment of other receivables of £1,720,000 (18 month period ended 30 June 2020: £nil); and
c) £3,750,000 (18 month period ended 30 June 2020: £266,000 decrease), increase in provision for re-testing costs.

The impairment for related party receivables of £1,052,000 (18 month period ended 30 June 2020: restated to £14,692,000) arose due to a provision of £1,052,000 made against amounts owed by companies within the Randox Holdings Limited group.

The impairment for other receivables of £1,720,000 was in relation to a cash advance of £1,720,000 made during the year to Labmaster Oy. The group advanced a further £1,478,000 in August 2021 and the total amount of £3,198,000 was converted into a shareholding in Labmaster Oy in February 2022. The advance of £1,720,000 has been provided for at the 30 June 2021 following a review of the financial viability of Labmaster Oy and its current ability to generate probable future economic benefits.

The re-testing provision was made for the future costs for the re-testing of samples for customers and other associated costs related to a contract for testing where errors were identified during 2017. The expense of £3,750,000 (18 month period ended 30 June 2020: £266,000 decrease), in the current year represents management's best estimate of future costs to be incurred. The re-testing is expected to be completed over the next few years.

Notes to the financial statements for the year ended 30 June 2021 (continued)

7 Operating profit

	Year ended 30 June 2021 £'000	18 month period ended 30 June 2020 (restated) £'000
This is stated after charging/(crediting):		
Staff costs (note 8)	**50,489**	46,640
Less amounts capitalised in development expenditure – note 8	**(774)**	(5,981)
Staff costs charged to profit and loss	**49,715**	40,659
Profit on disposal of tangible assets	**-**	(4,597)
Depreciation of tangible assets	**5,552**	4,789
Amortisation of intangible assets	**4,942**	5,408
Exceptional item - Impairments of intangible assets	**12,559**	19,624
Exceptional item - Impairments of tangible assets	**19,162**	-
Exceptional item - Impairment of stock - Antibodies	**-**	11,296
Exceptional item - Impairment of related parties balances	**1,052**	14,692
Exceptional item - Impairment of other receivables	**1,720**	-
Exceptional item - Re-testing provision movement	**3,750**	(266)
Foreign exchange difference	**(1,362)**	988
Operating lease payments - land and buildings	**874**	646
Other operating income		
- Research and development credit (RDEC)	**(2,658)**	(3,455)
- Revenue grants received	**(5,303)**	(8,218)
- Other income	**(139)**	(955)
	(8,100)	(12,628)
Fees payable to the company's auditors for the audit of the financial statements	**297**	106
Fees payable to the company's auditors for tax services	**1,305**	155

Notes to the financial statements for the year ended 30 June 2021 (continued)

8 Employee information

	Year ended 30 June 2021 £'000	18 month period ended 30 June 2020 £'000
Staff costs		
Wages and salaries	**45,590**	41,225
Social security costs	**4,035**	4,465
Other pension costs	**864**	950
Total staff costs (*)	**50,489**	46,640

(*) Included within staff costs is an amount of £774,000 (18 month period ended 30 June 2020: £5,981,000) that has been capitalised as part of development expenditure.

Average monthly number of persons employed by the company (including directors) during the financial year by activity:	Year ended 30 June 2021 Number	18 month period ended 30 June 2020 Number
Research and development	**610**	306
Production and distribution	**832**	460
Administration	**140**	135
	1,582	901

9 Directors' emoluments

	Year ended 30 June 2021 £'000	18 month period ended 30 June 2020 £'000
Aggregate emoluments	**126**	189

10 Interest payable and similar expenses

	Year ended 30 June 2021 £'000	18 month period ended 30 June 2020 £'000
Interest payable on bank overdrafts	**210**	554

Notes to the financial statements for the year ended 30 June 2021 (continued)

11 Tax on profit

	Year ended 30 June 2021 £'000	18 month period ended 30 June 2020 £'000
Current tax:		
UK corporation tax on profit for the financial period	46,312	4,050
Adjustment in respect of prior periods	(924)	86
Foreign tax	139	210
Total current tax	45,527	4,346
Deferred tax:		
Origination and reversal of timing differences	(5,112)	(1,299)
Changes in tax rates and laws	25	601
Adjustment in respect of previous periods	1,497	(458)
Total deferred tax	(3,590)	(1,156)
Tax on profit	41,937	3,190

Reconciliation of tax charge

The tax assessed for the financial year is lower than (18 month period ended 30 June 2020: higher) than the standard rate of Corporation Tax in the UK of 19% (18 month period ended 30 June 2020: 19%). The differences are explained below:

	Year ended 30 June 2021 £'000	18 month period ended 30 June 2020 (restated) £'000
Profit before taxation	219,318	4,415
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (18 month period ended 30 June 2020: 19%)	41,670	839
Effects of:		
Expenses not deductible for tax purposes	486	2,676
Group relief received from non-UK subsidiaries	(817)	(764)
Effects of overseas tax rates	-	210
Adjustment in respect of previous periods	573	(372)
Tax rate changes	25	601
Total tax on profit	41,937	3,190

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements for the year ended 30 June 2021 (continued)

12 Intangible assets

	Development expenditure £'000	Patents and licences £'000	Total £'000
Cost			
At 1 July 2020	79,701	5,249	84,950
Additions	2,803	449	3,252
At 30 June 2021	**82,504**	**5,698**	**88,202**
Accumulated amortisation			
At 1 July 2020	64,677	1,979	66,656
Charge for the year	4,662	280	4,942
Impairment	9,334	3,225	12,559
At 30 June 2021	**78,673**	**5,484**	**84,157**
Net book amount			
At 30 June 2021	**3,831**	**214**	**4,045**
At 30 June 2020	15,024	3,270	18,294

Development expenditure and licences (net book value) amounting to £4.0m (30 June 2020: £18.3m) are pledged as security against the company's and group's bank loans and overdrafts.

Impairments have arisen as a result of the company's current focus on COVID testing activity which resulted in some of the R&D projects being placed on hold. There is a risk that the resulting delay in the completion of some of the R&D projects will impact on their ultimate commercial viability and therefore following an impairment review performed, these assets were written down totalling £9,334,000 with a further intangible impairment of patents and licences of £3,225,000 giving a total intangible impairment of £12,559,000.

Included in the £9,334,000 impairment of R&D projects is £2,435,000 of development expenditure that was in relation to the development of the Discovery machines. A further amount of £20,462,000 had been capitalised in relation to the construction of Discovery machines as is included in tangible assets and also impaired in the year (see note 13).

Notes to the financial statements for the year ended 30 June 2021 (continued)

13 Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Office equipment £'000	Total £'000
Cost				
At 1 July 2020	39,610	34,953	9,181	83,744
Additions	7,075	25,085	336	32,496
Disposals	-	(42)	(6)	(48)
Transfers	-	(7,186)	-	(7,186)
At 30 June 2021	**46,685**	**52,810**	**9,511**	**109,006**
Accumulated depreciation				
At 1 July 2020	11,251	17,162	7,013	35,426
Charge for the year	1,829	3,277	446	5,552
Disposals	-	(42)	(3)	(45)
Impairment	-	19,162	-	19,162
Transfers	-	(5,886)	-	(5,886)
At 30 June 2021	**13,080**	**33,673**	**7,456**	**54,209**
Net book amount				
At 30 June 2021	**33,605**	**19,137**	**2,055**	**54,797**
At 30 June 2020	28,359	17,791	2,168	48,318

Land and buildings, plant and machinery and office equipment (net book value) amounting to £54.8m (30 June 2020: £48.3m) are pledged as security against the company's bank loans and overdrafts and finance leases and hire purchase contracts. Included in plant and machinery are assets under construction with cost of £23.97m and net book value of £3.5m (2020: cost and net book value of £11.3m). Assets under construction are the Randox Discovery machines, which was fully impaired during the year, and the COVID testing Cubes (mobile testing labs).

The tangible asset impairments of £19,162,000 relate to the costs incurred in developing the Randox Discovery machines.

£20,462,000 was capitalised in relation to the construction costs of the Discovery machines and this includes £7,186,000 of machine parts. Following an impairment review of the ability to generate probable future economic benefits, the machines included in tangible assets has been impaired by £19,162,000 as they have no current value in use or ability to be sold in the market at present. The Discovery machines development has been impacted by technical issues and while it was originally planned that these machines would be used for COVID testing, there is currently no need for them in the business, due to the development of alternative testing capabilities. The current plans for the Discovery machines are to develop the machines as a customer product for resale. Following a review of the machine parts, £1,300,000 of the £7,186,000 parts purchased and capitalised as part of the total costs of £20,462,000 has been identified as having value and has been transferred to stocks with £7,186,000 transferred from cost and £5,886,000 of the impairment transferred to stock as the provision against the parts to recognise £1,300,000 of stock value.

Notes to the financial statements for the year ended 30 June 2021 (continued)

14 Investments

	Unlisted investments £'000	Investments in subsidiary undertakings £'000	Total £'000
Cost			
At 1 July 2020 and **30 June 2021**	335	1,794	2,129
Accumulated impairment			
At 1 July 2020 and at **30 June 2021**	-	1,794	1,794
Net book amount			
At 30 June 2021	335	-	335
At 30 June 2020	335	-	335

The company holds 100% of the share capital in the following companies whose principal activities are the sale of biotechnology products, other than Randox Land Owner Ltd whose activity is the leasing of a commercial building:

Company	Country of incorporation	Registered office address
Randox Laboratories Canada Ltd	Canada	1012 Emest Cousins Circle, New Market, Ontario, L3X 0A1
Randox Laboratories Gmbh	Germany	Konigsallee 45/47, 40189, Dusseldorf
Irlandox Laboratories Q.A. Ltd	Portugal	Irlandox Laboratorios Quimica Analitica Lda., Rua D. Agostinho de Jesus e, Sousa 264, 4000-015 Porto, Portugal
Laboratorios Randox S. L.	Spain	Laboratorios Randox SL, C/Enric Prat De La Riba,226, 1 Planta, 08901 L'Hospitalet de Liobregat, Barcelona, Spain
Randox sro	Slovakia	Randox S.R.O, Vilova 2, 851 01 Bratislava, Slovakia
Randox Laboratories sro	Czech Republic	Narodnich hrdinu 12/1, 690 70 Breclav, Czech Republic
Randox Australia (Pty) Ltd	Australia	Randox (Australia) Pty Ltd, Suite 2/4 Charles Street, Parramatta NSW 2150, Australia
Randox Brasil Ltda	Brazil	Randox Brazil Ltda, Rua Fernandes Moreira, 415, Cep: 04716-000-Sao Paulo/SP, Brazil
Randox Laboratories S.A. (Pty) Ltd	South Africa	Randox Laboratories SA (PTY) Ltd, Unit 17 Leogem Commercial Park, 90 Richards Drive, Halfway House, Midrand 1685, South Africa
Randox Korea Ltd.	Korea	904 Doosan Venturediam 126-1, Pyeongchon-dong, Dongan-gu, Kyonggi-do, South Korea
Randox Laboratories Ltd. (Switzerland)	Switzerland	C/O Auctor Schwyz AG, Wirtschafts-Treuhand, Oberer Steisteg 18, PO Box 148, CH 6430 Schwyz
Randox Laboratories (I) Pvt. Ltd.	India	Plot no. 191 to 195 & 246 to 250, KIADB Industrial Area, Bommasandra, Jigani link road, Bengalura - 562 105, Bangalore
Randox Laboratories,US Ltd.	USA	Randox Laboratories-US, Ltd, 515 Industrial Blvd, Kearneysville, WV 25430
Randox Land Owner Ltd	USA	Randox Laboratories-US, Ltd, 515 Industrial Blvd, Kearneysville, WV 25430
Clinical Diagnostics de Puerto Rico	Puerto Rico	CARR 887KM 0.6, Bo Martin Gonzalez, Carolina Commercial Park, Local B6 Carolina PR00987
Randox Laboratories Ltd. (Jamaica)	Jamaica	7th Floor, ScotiaBank Centre , Cnr Duke & Port Royal Streets , Kingston, Jamaica
Randox Medical Trading LLC	UAE	Randox Medical Trading LLC, Westbury Tower 1, Business Bay, Dubai
Randox Clinic LLC	UAE	Randox Clinic LLC, Al Wasal, Tumeirah First, Dubai
Randox Laboratories Sp ZOO	Poland	ul.pulawska 405 A, 02-801 Warszawa, Poland
Randox Laboratories Hong Kong Ltd	Hong Kong	Room 404, Shui Hing Centre. 13 Sheung Yuet Road. Kowloon Bay. Hong Kong

Notes to the financial statements for the year ended 30 June 2021 (continued)

15 Stocks

	2021 £'000	2020 £'000
Raw materials	**37,618**	17,531
Work in progress	**10,638**	7,233
Finished goods and goods for resale	**9,355**	9,448
	57,611	34,212

Stocks are stated after provisions for impairment of £8,351,000 (2020: £769,000) and provisions for the stock of Antibodies of £12,554,000 (2020: £11,296,000). Included within the stock provision is a £5,886,000 (2020: £Nil) provision in relation to the Discovery Parts (see note 13).

16 Debtors

	2021 £'000	2020 £'000
Trade debtors	**10,180**	6,069
Amounts owed by group undertakings (note 25)	**119,311**	44,553
Amounts due by related parties (note 25)	**8,188**	8,570
Other taxation and social security	**2,448**	1,160
Other debtors	**542**	436
Corporation tax	**-**	607
Prepayments and accrued income	**8,704**	29,306
	149,373	90,701

Amount owed by group undertakings and related parties are unsecured, interest free and are payable on demand.

17 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank overdrafts	**-**	8,080
Obligations under finance lease and hire purchase contracts	**466**	539
Trade creditors	**27,313**	17,409
Amounts owed to group undertakings (note 25)	**92,650**	82,332
Other creditors	**140**	337
Corporation tax	**41,041**	-
Other taxation and social security	**1,281**	920
Accruals and deferred income	**6,634**	59,155
	169,525	168,772

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Security

The company's borrowings at 30 June 2021 are secured by fixed and floating charges over the company's assets and undertakings in favour of Danske Bank.

Notes to the financial statements for the year ended 30 June 2021 (continued)

18 Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Obligations under finance lease and hire purchase contracts	**1,473**	1,939

Finance leases and hire purchase are repayable as follows:

	2021 £'000	2020 £'000
Within one year or on demand	**466**	539
Between one and two years	**336**	466
Between two and five years	**857**	913
After five years	**280**	560
	1,939	2,478

19 Provisions for liabilities

	Deferred tax £'000	Provisions for re-testing £'000	Total £'000
At 1 July 2020	3,693	473	4,166
(Credited)/charged to the profit and loss account	**(3,590)**	**3,750**	**160**
At 30 June 2021	**103**	**4,223**	**4,326**

Re-testing provision

The re-testing provision was made for the future costs for the re-testing of samples for customers and other associated costs related to a contract for testing where errors were identified during 2017. The expense of £3,750,000 (18 month period ended 30 June 2020: £266,000 decrease) in the current year represents management's best estimate of future costs to be incurred. The re-testing is expected to be completed over the next few years. There were no amounts utilised or unused amounts of the re-testing provision reversed to the profit and loss account in the year.

Deferred tax provision

The deferred tax is made up as follows:

Deferred taxation comprises:	2021 £'000	2020 £'000
Accelerated capital allowances	**103**	3,694
Other timing differences	**-**	(1)
	103	3,693

The company has not recognised a deferred tax asset mainly arising in respect of losses in various overseas branches amounting to £812,000 (2020: £617,000) as their future recovery is uncertain. The deferred tax asset will be recoverable against future taxable profits.

Notes to the financial statements for the year ended 30 June 2021 (continued)

20 Called up share capital

	2021 £'000	2020 £'000
Allotted and fully paid		
88,200 (2020: 88,200) ordinary shares of £1	**88**	88

21 Dividends

	Year ended 30 June 2021 £'000	18 month period ended 30 June 2020 £'000
Dividends paid		
Interim dividend paid of £179.71 per £1 ordinary share (18 month period ended 30 June 2020: £179.71)	-	15,850

A dividend of £Nil (18 month period ended 30 June 2020: £15,850,000) was paid during the year. The directors do not recommend a final dividend be paid (18 month period ended 30 June 2020: £nil).

22 Obligations under operating lease commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2021 £'000	2020 £'000
Within one year	**521**	382
Within two to five years	**507**	358
After five years	**29**	23
	1,057	763

23 International branches

The company has international branches operating in the following locations:

UAE (Dubai)
France
Italy
India
Poland
China
Puerto Rico

Notes to the financial statements for the year ended 30 June 2021 (continued)

24 Contingent liabilities

The company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the company has issued an unlimited guarantee to the bank to support these group facilities. In respect of the banking facilities of Randox Teoranta, the company entered into a guarantee and indemnity from the company in favour of Danske Bank in respect of the present and future liabilities of Randox Teoranta, limited to £1,000,000 and a charge on account of £1,000,000 in bank account of the company with Danske Bank. The company does not expect any losses to arise from this guarantee. There exists a contingent liability to repay certain capital and revenue grants received from grant bodies if certain grant conditions are not achieved. The directors do not anticipate any repayment falling due under the terms on which the grants were received. The company has entered into guarantees in the normal course of business including an HMRC VAT guarantee. The directors consider that there will be no liability in respect of these guarantees.

25 Related party disclosures

The company has taken advantage of the exemption granted by FRS 102, not to disclose transactions and balances with its parent company Randox Holdings Limited or other group companies. The financial statements of the parent company are available from the address outlined in note 26. In the current year, an amount of £33,000 is included in other debtors (30 June 2020: £335,000 - included in other creditors) in respect of a directors current account for Dr. Peter Fitzgerald. The companies listed in the table below are related parties as Dr. Peter Fitzgerald is a director, shareholder and ultimate controlling party of each of them. Transactions relate to intercompany loans, sales, purchases and recharges. No interest is chargeable.

	Transactions 2021 £'000	Debtor 2021 £'000	Transactions 2020 £'000	Debtor 2020 £'000
Cherry Valley Farming Ltd	311	2,800	202	2,752
QCMD	670	51	117	117
Largy Road Ltd	-	872	-	872
Cherry Valley Qnostics Limited	1,121	4,465	2,079	4,829
	2,102	8,188	2,398	8,570

The balance owed from Largy Road Limited of £872,000 (2020: £872,000) is a result of a sale of property for £2,350,000 during the period ended 30 June 2020, with £872,000 outstanding at the 30 June 2021.

Amounts owed by group undertakings as shown in note 16 include entities that are outside of the Randox Holdings Limited group but are part of the wider Randox (IOM) Limited group. At 30 June 2021 Randox (IOM) Limited owes the company £100,000,000 (2020: £nil). At 30 June 2020 Randox Laboratories Limited was owed the following amounts: £15,413,000 from Randox Farming Limited and £1,614,000 from Antrim Farming Ltd, totalling £17,027,000.

Amounts owed to group undertakings as shown in note 17 relate to entities that are inside the Randox Holdings Limited group and the company has taken advantage of the exemption granted by FRS 102, not to disclose transactions and balances with its parent company Randox Holdings Limited or other group companies.

The impairment for related party receivables of £1,052,000 (18 month period ended 30 June 2020: restated to £14,692,000) arose due to a provision of £1,052,000 made against amounts owed by companies within the Randox Holdings Limited group.

Distributions of £23,731,000 (18 month period ended 30 June 2020: restated - £16,137,000) in relation to the waiver of related party debt from entities that are outside of the Randox Holdings Limited group but are part of the wider Randox (IOM) Limited group were made during the year. Since 2012 Randox Laboratories Limited has advanced monies to Randox Farming Limited, Antrim Farming Ltd, Randox Land Ltd and Dundarave Properties Limited to enable them to fund land purchases.

Notes to the financial statements for the year ended 30 June 2021 (continued)

25 Related party disclosures (continued)

The total amount lent and then waived by Randox Laboratories Limited with these related parties outside the Randox Holdings group was £52.8m of which £13.0m had previously been provided against, giving a net debtor of £39.8m. During the year the £23.7m owed by Randox Farming Limited, Antrim Farming Ltd, Randox Land Ltd and Dundarave Properties Limited was waived and consequently this £23.7m debtor balance, net of prior year provisions of £13.3m, was recognised as a distribution in reserves this year.

In the prior year £16.1m owed by Dundarave Properties Limited was waived net of brought forward provisions of £0.6m was waived. In the prior period financial statements this had been accounted for as an impairment of related party balance through the profit and loss account, but has now been adjusted as a prior year adjustment to show in the comparatives as a £16.1m distribution through reserves in the prior period. Randox Laboratories Limited also waived £4,623,000 of debt owed by Randox Clinics Limited (a fellow subsidiary within the Randox (IOM) Limited group) during the prior period but this had previously been fully provided for in previous financial years and therefore has no impact on the current year or prior period financial statements.

Subsequent to the year end, Richard Kelly became a director of Labmaster Oy, a company registered in Finland in August 2021 and therefore the balance that existed at the year end then became a related party balance. A cash advance of £1,720,000 was made during the year to Labmaster Oy and the company advanced a further £1,478,000 in August 2021 which was converted into a shareholding in Labmaster Oy in February 2022. The advance of £1,720,000 has been provided for at the 30 June 2021 following a review of the financial viability of Labmaster Oy and its current ability to generate probable future economic benefits and is included in the impairment for other receivables amount of £1,720,000. Randox Holdings Limited purchased £23,000 (18 month period ended 30 June 2020: £Nil) of goods from Labmaster Oy during the year.

26 Ultimate parent undertaking and ultimate controlling party

The ultimate parent company is Randox (IOM) Limited. Randox (IOM) Limited is a company with a registered address of PO Box 145, Level 6, 10A Prospect Hill, Douglas, Isle of Man, IM99 1FY. The largest and smallest group to consolidate these financial statements is the immediate parent, Randox Holdings Limited a company registered in Northern Ireland and based at Ardmore, 55 Diamond Road, Crumlin, County Antrim, BT29 4QY. Copies of the financial statements of Randox Holdings Limited are available from the Registrar of Companies, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG. The ultimate controlling party is Dr. Peter Fitzgerald, a director of the company.

27 Prior year adjustments

The following prior year adjustments were identified and dealt with in the financial statements:

- The group identified an error in accounting for the waiver of related party debt that had previously been included in the impairment of related party balances in the profit and loss account rather than reserves as a transaction with owners. This waiver has been corrected in the current period amounting to £16,137,000 adjusted to reserves and correcting the impairment of related party balances by £16,137,000 from £30,829,000 to £14,692,000.
- In the financial statements for the period ended 30 June 2020 amortisation of intangible assets and depreciation of tangible assets were recognised in administrative expenses in the consolidated profit and loss account. In the current year financial statements amortisation of intangible assets and depreciation of plant and machinery were recognised in costs of sales in the consolidated profit and loss account to reflect a more appropriate allocation of costs. Restatements were made in the comparatives for the prior period ended 30 June 2020 to recognise £5,408,000 amortisation in costs of sales and £1,686,000 plant and machinery depreciation in costs of sales.

Overall the impact of these prior year adjustments resulted in no increase in reported equity as at 1 January 2019 or 30 June 2020 and an increase in reported profit by £16,137,000 but no increase in reported profit before exceptional items for the financial period ended 30 June 2020. There is no impact on tax or cash for these prior year adjustments. The disclosure in notes 7 and 11 has been restated for the impact of these corrections.