

Sherwood Holdings Limited

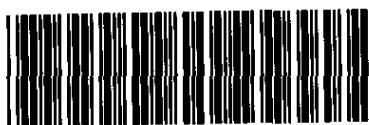
Annual Report and Financial Statements

period ended

31 December 2017

Company Number 10269474

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Sherwood Holdings Limited

Company Information

Directors	J D Agnew M Fumagalli J C LeCoque C H B Mills Dr T F Nolan C Sgarbi
Registered number	10269474
Registered office	1 Orchard Place Nottingham Business Park Nottingham NG8 6PX
Independent auditor	BDO LLP Regent House Clinton Avenue Nottingham NG5 1AZ
Bankers	Barclays Bank Plc 1st Floor Spinningfields Manchester M3 3AX

Sherwood Holdings Limited

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Sherwood Holdings Limited

Strategic Report For the Period Ended 31 December 2017

Principal activities

Sherwood Holdings Limited is the ultimate parent company for Source BioScience Limited and its subsidiaries ('the Group'), an international provider of integrated state of the art laboratory services and products to the healthcare and clinical, life and applied sciences and biopharma industries.

Business review

Sherwood Holdings Limited was incorporated on 8th July 2016 and acquired Source BioScience plc on 16th September 2016 which subsequently delisted from the London Stock Exchange. Since that point, the Group has undergone a management restructure in order to refocus on growing its most effective activity streams, which has generated one-off costs recognised during the period. It has also been necessary to reassess some of the previous management judgements regarding the carrying value of investments and goodwill, leading to impairment charges in the period. Whilst these have a significant impact on the trading results of the Group in the period, we would highlight that these are one-off, non-cash adjustments that are necessary to streamline the business and put the Group in the best position for profitable growth in the future.

As a result of these one-off impacts, the reported figures for the period to 31 December 2017 show an operating loss of £51.7m but an underlying EBITDA profit of £3.0m, from which we plan to build into the future. The Balance Sheet and Cash Flows of the Group are dominated by the acquisition transactions and first-period impairments, resulting in Net Liabilities of £57.4m, predominately due to loan notes held by our shareholders, with closing cash of £0.7m. However, we continue to trade with the support of our shareholders and will drive growth to improve this position in future periods.

Our management reorganisation has already been rewarded during 2017 with growth in our core Healthcare services, especially Cellular Pathology, and also in our Controlled Environment businesses. Meanwhile, significant effort within Select Pharma Laboratories Limited ('Select Pharma') (acquired in August 2015) have seen the successful accreditation of the new Livingston premises. By contrast, the myDNA service was closed during the period, and activities in Germany have also ceased.

The Group continues to develop its commercial capability with new sales teams in place to deepen relationships with customers and the launch of a new website in early 2018, with further on-line developments expected during 2018.

Objectives

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

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

Key business strategies

In pursuit of its objectives the Group has continued with and refined a number of key business strategies. The aim being to secure increased sales through:

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

Underlying profitability is forecast to improve through the development of new product ranges, reducing material purchase costs and improving operating efficiencies.

This strategy is continually reviewed by the Board in the light of actual performance and changing market conditions to ensure it remains appropriate to achieve the objectives.

Sherwood Holdings Limited

Strategic Report (continued) For the Period Ended 31 December 2017

Outlook

Since acquisition we have been pursuing a strategy of focusing on our key activity streams and reducing complexity in the Group by discontinuing smaller, non-profitable operations and sites where practical to do so. This is allowing us to focus our time and resources in those areas of the Group that will give the greatest long term benefit to our shareholders

We are now working to a 5 Year Strategy which builds on the strength of our three largest activity groups, Pathology Diagnostics, Genomics and Sequencing, and Controlled Environment with the aim to ultimately deliver the value perceived by the shareholders when acquiring the Group. This involves developing new services, new strategic partnerships, and plans to expand into new territories, all activities that we are vigorously pursuing.

Principal risks and uncertainties

The Group actively manages risks and uncertainties that face the business. The principal risks and uncertainties, together with details of the active measures the Board are taking to manage them, are as follows:

Economic environment and Brexit

The current uncertainties created by the ongoing Brexit transition could impact particularly on the Group given our close links to the Pharma industry. However, the potential extent is mitigated by our international presence, with expansion plans for our Tramore, Ireland site already in place to allow our customers to access both the EU and UK markets whilst still working with us. In the long term, possible divergence of medical regulations may generate additional testing and storage opportunities for us.

Regulatory compliance

We work stringently to obtain and maintain the necessary regulatory accreditations for our various business streams. This approach was highlighted by the significant efforts made within Select Pharma Laboratories Limited ('Select Pharma') (acquired in August 2015) which have seen the successful accreditation of the new Livingston premises.

Retaining key people

We rely on many experts and specialists across the Group and constantly review our recruitment and retention policies to ensure we maintain the required experience and expertise, through a combination of training, development and appropriate reward.

Funding and resources

In order to deliver the long term plans for the Group, we have been able to rely on the support of our primary shareholders in ensuring that appropriate funding has been available since the acquisition of Source Bioscience Limited. With their support, we have invested in key technology in both our Pathology and Genomics activity streams and have plans to expand both our Ireland and US operations. We will work to ensure that future expansion is achieved through the prudent and responsible financing of our current and future borrowings.

Systems and controls

The ongoing project to implement an integrated financial system went live immediately after the period end date, allowing greater analysis and control of the Group activities and creating a stronger control environment. We continue to work to maximise the benefit from this system, and to identify further control improvements.

Financial risk management

The Group applies the following financial risk management policies:

Price risk

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

Sherwood Holdings Limited

Strategic Report (continued) For the Period Ended 31 December 2017

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

Interest rate risk

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

Credit risk

Credit risk arises on assets such as trade debtors. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history before credit is granted and subsequent performance is monitored to ensure credit risk is managed within acceptable parameters.

Liquidity risk

The Group has bank and cash balances of £702k at the period end and a further short term borrowing facility which was not fully utilised. This, together with the shareholders support, provides the directors with confidence that there are sufficient funds available to allow the Group to achieve its financial targets in the foreseeable future.

Future Financial Structures to Support Going Concern

The Group has net current liabilities of £16.7m, net liabilities of £57.4m and reported a loss for the period of £60.3m. The Company has net current liabilities of £15.1m, net liabilities of £55.8m and incurred a loss of £58.7m. These factors, combined with the net cash outflow from operating activities of £3.2m and terms of the Group's debt facilities, have been taken into consideration in assessing the ability of the Company and the Group to continue to operate as a going concern.

The directors have prepared detailed budgets and forecasts covering the period to 31 March 2020, which are based on the strategic business plan prepared for the period to 31 December 2023. These take into account all reasonably foreseeable circumstances and include consideration of trading results, cash flows and the level of facilities the Group requires on a month by month basis.

The Group is forecast to generate cash and operating profits sufficient to meet its day to day operating needs, meet its obligations under the terms of its bank facilities and support planned capital expenditure. However, it is not intended that operational cash flows will be required to settle the senior debt facilities and accrued interest of £18.4m raised to part fund the purchase of Source BioScience plc. These liabilities will be met through a combination of future refinancing activities and the proceeds of the eventual future resale of the Group. The directors have obtained a letter of support from certain key shareholders and the loan note holders have undertaken to postpone any repayments under these senior debt facilities for a period of not less than 12 months from the date of the signing of the financial statements should this be necessary to enable the Group or Company to meet their other obligations as they fall due.

Based on their enquires and the information available to them, and taking into account the other risks and uncertainties set out herein, the directors have a reasonable expectation that the Company and the Group has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

Financial key performance indicators

The Group uses a number of financial measures to monitor progress against strategies and corporate objectives.

These are summarised below:

Turnover	£29.7m
Underlying EBITDA	£3.0m
Loss before tax	£(60.3)m

Underlying EBITDA represents earnings before interest, tax, depreciation, amortisation and impairment charges net of exceptional costs and the operating loss of discontinued operations.

Sherwood Holdings Limited

Strategic Report (continued) For the Period Ended 31 December 2017

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

This report was approved by the board on **29th October 2018** and signed on its behalf.



Jay LeCoque
Director

Sherwood Holdings Limited

Directors' Report For the Period Ended 31 December 2017

The directors present their report and the financial statements for the period ended 31 December 2017.

Director's responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's and the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Results and dividends

The loss for the period, after taxation, amounted to £60.3m.

The directors do not recommend the payment of a dividend.

Further commentary in respect of the business performance, cash flows, financial position and future outlook are included in the strategic report.

Directors

The directors who served during the period and to the date of this report are as follows:

Dr Nicholas Watson Ash (appointed 20 January 2017, resigned 21 March 2017)
Nicholas Charles McCarthy (appointed 8 July 2016, resigned 20 July 2016)
James Douglas Agnew (appointed 13 July 2016)
Jay Charles LeCoque (appointed 20 January 2017)
Marco Fumagalli (appointed 13 July 2016)
Carlo Sgarbi (appointed 13 July 2016)
Christopher Harwood Bernard Mills (appointed 13 July 2016)
Jeremy James Brade (appointed 13 July 2016, resigned 13 July 2016)
Philip Ronald Lamb (appointed 8 July 2016, resigned 20 July 2016)
Dr Trevor Frank Nolan (appointed 9th Jan 2018)

Sherwood Holdings Limited

Directors' Report (continued) For the Period Ended 31 December 2017

Political and charitable donations

The Group made no charitable donations during the period and no political donations.

Disclosure of information to auditor

Each director at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

BDO LLP were appointed as auditor during the period and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **29th October 2018** and signed on its behalf.



Dr Trevor Nolan
Director

Sherwood Holdings Limited

Independent Auditor's Report to the Members of Sherwood Holdings Limited

Opinion

We have audited the financial statements of Sherwood Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the period ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Sherwood Holdings Limited

Independent Auditor's Report to the Members of Sherwood Holdings Limited

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and director's report.

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

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

Sherwood Holdings Limited

Independent Auditor's Report to the Members of Sherwood Holdings Limited

Responsibilities of directors

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

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

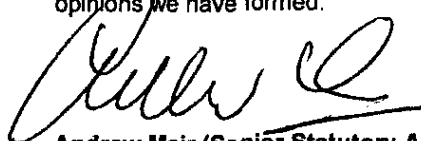
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham
United Kingdom 29/10/18

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Sherwood Holdings Limited

Consolidated Statement of Comprehensive Income For the Period Ended 31 December 2017

	Note	Continuing operations 2017 £000	Discontin'd operations 2017 £000	Total 2017 £000
Turnover	4	29,485	229	29,714
Cost of sales		(17,161)	(300)	(17,461)
Gross profit		12,324	(71)	12,253
Distribution costs		(2,742)	(69)	(2,811)
Administrative expenses		(12,244)	(162)	(12,406)
Exceptional administrative expenses	11	(48,742)	(2)	(48,744)
Total administrative expenses		(60,986)	(164)	(61,150)
Operating loss	5	(51,404)	(304)	(51,708)
Interest payable and expenses	9	(8,560)	-	(8,560)
Loss before taxation		(59,964)	(304)	(60,268)
Tax on loss	10	-	-	-
Loss for the financial period		(59,964)	(304)	(60,268)
Currency translation differences		(9)	-	(9)
Other comprehensive loss for the period		(9)	-	(9)
Loss for the period attributable to:				
Owners of the Parent Company		(59,973)	(304)	(60,277)

The notes on pages 17 to 44 form part of these financial statements.


Sherwood Holdings Limited

Registered number: 10269474

Consolidated Balance Sheet As at 31 December 2017

	Note	2017 £'000	2017 £'000
Fixed assets			
Intangible assets	12		12,266
Tangible assets	13		10,169
			<u>22,435</u>
Current assets			
Stocks	15	1,183	
Debtors: amounts falling due within one year	16	5,990	
Cash at bank and in hand	17	702	
		<u>7,875</u>	
Creditors: amounts falling due within one year	18	(24,541)	
Net current liabilities			<u>(16,666)</u>
Total assets less current liabilities			<u>5,769</u>
Creditors: amounts falling due after more than one year	19		(62,461)
Provisions for liabilities	24		(680)
Net liabilities			<u>(57,372)</u>
Capital and reserves			
Called up share capital	25		2,905
Profit and loss account	26		(60,277)
Deficit attributable to owners of the Parent Company			<u>(57,372)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
29th October 2018



Dr Trevor Nolan
Director

The notes on pages 17 to 44 form part of these financial statements.

Sherwood Holdings Limited

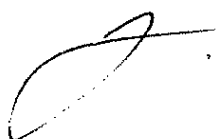
Registered number: 10269474

Company Balance Sheet As at 31 December 2017

	Note	2017 £000	2017 £000
Fixed assets			
Investments	14		15,184
Current assets			
Debtors: amounts falling due within one year	16	3,275	
		<u>3,275</u>	
Creditors: amounts falling due within one year	18	(18,352)	
		<u>(18,352)</u>	
Net current liabilities			<u>(15,077)</u>
Total assets less current liabilities			<u>107</u>
Creditors: amounts falling due after more than one year	19		(55,940)
			<u>(55,940)</u>
Net liabilities			<u>(55,833)</u>
Capital and reserves			
Called up share capital	25		2,905
Profit and loss account	26		(58,738)
			<u>(58,738)</u>
Deficit attributable to owners of the Parent Company			<u>(55,833)</u>

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss after tax of the company for the period was £58.7m.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29th October 2018



Dr Trevor Nolan
Director

The notes on pages 17 to 44 form part of these financial statements.

Sherwood Holdings Limited

Consolidated Statement of Changes in Equity For the Period Ended 31 December 2017

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At incorporation	-	-	-
Loss for the period	-	(60,268)	(60,268)
Currency translation differences	-	(9)	(9)
Total comprehensive loss for the period	-	(60,277)	(60,277)
Shares issued during the period	2,905	-	2,905
Total transactions with owners	2,905	-	2,905
At 31 December 2017	2,905	(60,277)	(57,372)

The notes on pages 17 to 44 form part of these financial statements.

Sherwood Holdings Limited

Company Statement of Changes in Equity For the Period Ended 31 December 2017

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At incorporation	-	-	-
Loss for the period	-	(58,738)	(58,738)
Total comprehensive loss for the period	-	(58,738)	(58,738)
Contributions by and distributions to owners			
Shares issued during the period	2,905	-	2,905
Total transactions with owners	2,905	-	2,905
At 31 December 2017	2,905	(58,738)	(55,833)

The notes on pages 17 to 44 form part of these financial statements.

Sherwood Holdings Limited

Consolidated Statement of Cash Flows For the Period Ended 31 December 2017

	2017 £000
Cash flows from operating activities	
Loss for the financial period	(60,268)
Adjustments for:	
Amortisation and impairment of intangible assets	51,087
Depreciation and Impairment of tangible assets	2,175
Net Interest payable	8,560
Decrease in stocks	762
Increase in trade and other debtors	(690)
Decrease in trade and other creditors	(5,077)
Increase in provisions	47
Loss on disposal of subsidiaries	209
Corporation tax paid	(53)
Net cash consumed by operating activities	<u>(3,248)</u>
 Cash flows from investing activities	
Purchase of intangible assets	(517)
Purchase of tangible assets	(291)
Acquisition of subsidiaries (note 27)	(41,517)
Cash acquired with subsidiary undertakings (note 27)	4,646
Net cash outflow from investing activities	<u>(37,679)</u>

The notes on pages 17 to 44 form part of these financial statements

Sherwood Holdings Limited

Consolidated Statement of Cash Flows For the Period Ended 31 December 2017

Cash flows from financing activities

Capital element of HP/finance leases repayments (note 33)	(306)
New loans advanced (note 33)	44,713
Repayment of loans (note 33)	(2,325)
Interest paid	(453)
Hire purchase interest paid	(4)
Net cash generated by financing activities	41,625

Net increase in cash and cash equivalents (note 33)	698
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Cash and cash equivalents at the beginning of the period	-
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Foreign exchange gains and losses	4
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Cash and cash equivalents at the end of period	702
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The notes on pages 17 to 44 form part of these financial statements

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

1. General information

Sherwood Holdings Limited is a private Company limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is shown on the Company Information page. The nature of the Group and Company's operations and principal activities are outlined in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

Parent Company disclosure exemptions

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliation for the Group and the Parent Company would be identical;
- No statement of cash flows has been presented for the Parent Company;
- No disclosures have been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Group as a whole.

Going concern

The Group has net current liabilities of £16.7m, net liabilities of £57.4m and reported a loss for the period of £60.3m. The Company has net current liabilities of £15.1m, net liabilities of £55.8m and incurred a loss of £58.7m. These factors, combined with the net cash outflow from operating activities of £3.2m and terms of the Group's debt facilities, have been taken into consideration in assessing the ability of the Company and the Group to continue to operate as a going concern.

The directors have prepared detailed budgets and forecasts covering the period to 31 March 2020, which are based on the strategic business plan prepared for the period to 31 December 2023. These take into account all reasonably foreseeable circumstances and include consideration of trading results, cash flows and the level of facilities the Group requires on a month by month basis.

The Group is forecast to generate cash and operating profits sufficient to meet its day to day operating needs, meet its obligations under the terms of its bank facilities and support planned capital expenditure. However, it is not intended that operational cash flows will be required to settle the senior debt facilities and accrued interest of £18.4m raised to part fund the purchase of Source BioScience plc. These liabilities will be met through a combination of future refinancing activities and the proceeds of the eventual future resale of the Group. The directors have obtained a letter of support from certain key shareholders and the loan note holders have undertaken to postpone any repayments under these senior debt facilities for a period of not less than 12 months from the date of the signing of the financial statements should this be necessary to enable the Group or Company to meet their other obligations as they fall due.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

Based on their enquires and the information available to them, and taking into account the other risks and uncertainties set out in the strategic report, the directors have a reasonable expectation that the Company and the Group has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

The following principal accounting policies have been applied consistently:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Parent Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are no longer consolidated from the date control ceases

2.3 Revenue

Revenue is measured at the consideration received or receivable for goods and services provided in the *normal course of business, net of discounts and VAT. Revenue comprises the value of sales of contract pathology, sequencing, contract research, stability storage and analytical testing services, processed human tissue, serology and genomic reagents, antibodies, LBC systems and testing kits, controlled environment storage equipment and related servicing and validation.*

Services

Amounts received or receivable for services, typically provided under contract pathology, sequencing services, stability storage and analytical testing services, are recognised when the services are provided and obligations are fulfilled.

Products

Revenue from sales of products, typically provided under processed human tissue, genomic reagents and antibodies and serology is recognised when goods are delivered to and accepted by the customer.

Service agreements

Revenue relating to service contracts invoiced at the inception of the agreement is deferred such that the income is recognised over the contract life. The revenue is recognised in line with the provision of the services or, where the quantum and timing of the services cannot be reliably predicted, rateably over the period of the agreement.

LBC testing kits

The price charged by the Group for the LBC testing kits is specified in the Supply Agreements negotiated with each customer.

The price for the testing kits comprises an amount for laboratory consumables and reagents required to perform the tests and, where the LBC systems are supplied on a rental basis, an equipment premium, which is equivalent to a rental charge, and an amount for maintenance of the systems during the term of the Supply Agreement.

Revenue associated with the laboratory consumables and reagents is recognised when the testing kits are delivered and accepted by the customer. Revenue from the equipment premium and maintenance element is recognised over the period in which the customer is expected to benefit from the provision of these elements of the supply.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

Pre-paid vouchers

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

Contracts incorporating multiple elements

Where the Group enters contracts for the supply and installation of products, revenue is recognised based on the specific terms of each contract. In some instances, this requires the allocation of the contract between the supply of the product and the installation and commissioning. Where contracts require separation, the revenue is allocated based on the fair values attributable to the separate elements.

2.4 Intangible assets

Goodwill

Goodwill represents the difference between fair value of the amounts paid for a business and the fair value of the Group's share of its identifiable assets and liabilities at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight line basis in the consolidated statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and impairment losses.

All other intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Development costs and computer software are amortised on a straight line basis over period during which the group is expected to benefit, usually four years.

Customer relationships are amortised on a straight line basis in accordance with the expected flow of future economic benefits typically between four and six years.

2.5 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets (excluding land) less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	50 years
Long leasehold property	Shorter of 10 years and remaining lease term
Plant and machinery	5 – 15 years
Motor vehicles	4 years
Fixtures and fittings	3 – 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of comprehensive income.

2.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased, except for goodwill where impairment losses previously recognised are not reversed.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less impairment.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis and includes costs associated with bringing the items to their present location and condition. Work in progress and finished goods include direct labour and attributable overheads. Net realisable value is the estimated selling price less costs to complete and sell.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.9 Debtors

Short term debtors are measured at transaction price less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Foreign currency translation

Functional and presentation currency

The Group and Company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are retranslated into Sterling 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 retranslation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

2.13 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.15 Finance leases: the Group as lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the consolidated statement of comprehensive income over the shorter of the estimated useful economic life of the asset and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the consolidated statement of comprehensive income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

2.16 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that establishes a legal or constructive obligation that probably requires settlement by a transfer of economic benefit and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated statement of comprehensive income in the period that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties and, where material, the time value of money.

When payments are made, they are charged to the provision carried in the balance sheet.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

2.18 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences, except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.19 Exceptional Items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.20 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research is recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. Capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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

In preparing these financial statement, the directors have made the following judgements:

- Determining whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determining whether the leases entered into by the Group should be classified as operating or finance leases. Factors taken into account in reaching decisions include the periods over which the Group has the right to use the asset and the various rights and obligations of the parties.

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

Impairment of goodwill and intangible assets

Impairment tests have been undertaken in respect of goodwill and intangible assets (note 12) using an assessment of the value in use of the respective CGU's. This assessment requires a number of assumptions and estimates to be made including the allocation of assets to CGU's, the expected future cash flows from each CGU and also the selection of a suitable discount rate in order to calculate the present value of those cash flows.

Depreciation and amortisation

The tangible assets, intangible assets and liabilities arising on acquisitions, are identified and recognised at fair value. The assessment of fair value involves a number of assumptions and estimates made by management.

Fair values assigned to acquired assets and liabilities

The determination of the fair values attributed to acquired assets and liabilities requires estimates to be made about the outcome of future events, including the condition of acquired assets, the ongoing value to the business of intangible assets and the recoverability of other assets. For liabilities, an assessment is required to identify any unrecorded liabilities or disputed amounts to determine whether liabilities should be recognised at the point of acquisition.

Deferred voucher income

An assessment is made of the amount of revenue to be recognised in relation to payments received. For example, where customers purchase pre-paid vouchers for DNA sequencing services, an assessment is made of the likely future redemption rate to estimate the quantum of deferred income to be recognised as a liability and revenue to be recognised respectively.

Bad debt provisions

A number of accounting estimates and judgements are necessary to determine the impairment provisions against trade receivables (note 16).

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

Corporation tax liabilities

The Group is required to estimate its tax assets and liabilities. This requires an assessment of the current *tax liability together with the outcome of any open positions which may be subject to challenge by the tax authorities*. An assessment of the temporary differences which arise as a result of different accounting and tax treatments is also required as these temporary differences result in deferred tax assets or liabilities. Deferred tax assets are only recognised to the extent that it is more likely than not that the asset will be *realised in the future. This requires judgements to be made, including the levels of forecast future taxable income.*

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

4. Turnover

An analysis of turnover by class of business is as follows:

	2017 £000
Services	18,125
Products	11,589
	<u>29,714</u>

Analysis of turnover by country of destination:

	2017 £000
United Kingdom	22,239
Rest of Europe	4,686
Rest of the world	2,789
	<u>29,714</u>

5. Operating loss

The operating loss is stated after charging/(crediting):

	2017 £000
Research & development charged as an expense	128
Depreciation of tangible fixed owned assets	2,032
Depreciation of tangible fixed assets under finance lease	40
Amortisation of intangible assets, including goodwill	3,648
Impairment of intangible assets	47,439
Impairment of tangible fixed assets	103
Loss on discontinued operations	209
Exchange differences	(17)
Other operating lease rentals	247
Defined contribution pension cost	307

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

6. Auditor's remuneration

	2017 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	91
Fees payable to the Group's auditor and its associates in respect of:	
Tax advisory services	14

7. Employees

Staff costs were as follows:

	Group 2017 £000	Company 2017 £000
Wages and salaries	7,865	-
Social security costs	770	-
Cost of defined contribution scheme	307	-
Termination payments	363	-
	<u>9,305</u>	<u>-</u>

The average monthly number of employees, including the directors, during the period was as follows:

	2017 No.
Services	93
Products	41
Central services	68
	<u>202</u>

The Company had no employees other than the directors, who did not receive any remuneration.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

8. Directors' remuneration

	Group 2017 £000	Company 2017 £000
Directors' emoluments	188	-
Contributions to money purchase pension schemes	7	-
	<u>195</u>	<u>-</u>

9. Interest payable and similar expenses

	2017 £000
Bank interest payable	453
Other loan interest payable	8,103
Finance leases and hire purchase contracts	4
	<u>8,560</u>

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

10. Taxation

	2017 £000
Corporation tax	
Current tax on loss for the period	-
Tax on disposal of discontinued operation	-
Total current tax	-
Deferred tax	
Origination and reversal of timing differences	-
Changes to tax rates	-
Total deferred tax	-
Taxation on loss on ordinary activities	-
Factors affecting tax for the period	
The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19.42%. The differences are explained below:	
	2017 £000
Loss on ordinary activities before tax	(60,268)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(11,704)
Effects of:	
Expenses not deductible for tax purposes	994
Impairment charge not deductible for tax purposes	9,213
Movement in deferred tax not recognised	1,497
Total tax for the period	-

Factors that may affect future tax charges

The reduction in the UK corporation tax rate to 17% from 1 April 2020 has been substantively enacted. Accordingly, these rates have been applied in the measurement of the Company's deferred tax assets and liabilities at 31 December 2017.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

11. Exceptional items

	2017 £000
Goodwill and asset impairments	47,542
Other costs	1,202
	<hr/> 48,744 <hr/>

On 15th September 2016, the group acquired Source Bioscience plc. Subsequent trading failed to meet expectations and a turn-around plan was established and implemented. Under this plan, reorganisation costs of £1.2m were incurred. These relate to the costs of a redundancy programme affecting the management, sales, manufacturing and administrative functions.

The trading shortfall, and decisions to withdraw from certain activities and geographies, also led to a reassessment of the carrying value of fixed assets, leading to impairments to reduce the assets to their expected recoverable amounts. The costs have been charged to operating profit and included in administrative expenses in the statement of comprehensive income.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

12. Intangible assets

Group	Development costs £000	Customer relationships £000	Goodwill £000	Total £000
Cost				
At incorporation	-	-	-	-
On acquisition of subsidiaries	713	185	62,005	62,903
Additions	517	-	-	517
Disposals	(106)	-	-	(106)
At 31 December 2017	1,124	185	62,005	63,314
Amortisation				
At incorporation	-	-	-	-
Charge for the period	391	141	3,116	3,648
Disposals	(39)	-	-	(39)
Impairment charge	-	-	47,439	47,439
At 31 December 2017	352	141	50,555	51,048
Net book value				
At 31 December 2017	772	44	11,450	12,266

Development costs represent the costs and associated amortisation of internally generated software.

The amortisation of goodwill is being recognised over the director's assessment of its useful economic life of 10 years. The charge for the period has been calculated by applying the useful life to the gross value arising on acquisition until January 2017, at which point the impairment was identified, with subsequent amortisation being calculated using the impaired value.

The impairment charges have been determined by allocating the goodwill and other assets to individual cash generating units ("CGU's") and comparing the amounts with the value in use calculations undertaken at a CGU level. The trading forecasts and cash generated in each CGU was based upon the strategic business plan approved by the Board in April 2018 and after applying a discount rate of 15%, based upon the Weighted Average Cost of Capital.

The Company has no intangible fixed assets.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

13. Tangible fixed assets

Group	Freehold property £000	Leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost						
At incorporation	-	-	-	-	-	-
Acquisition of subsidiaries	5,639	261	4,470	31	678	11,079
Additions	45	42	719	-	562	1,368
Disposals	-	-	(116)	-	-	(116)
Reclassification	(109)	-	109	-	-	-
Exchange differences	-	-	(9)	(9)	1	(17)
At 31 December 2017	5,575	303	5,173	22	1,241	12,314
Depreciation						
At incorporation	-	-	-	-	-	-
Charge for the period	139	72	1,418	11	432	2,072
Disposals	-	-	(26)	-	-	(26)
Reclassification	(11)	-	11	-	-	-
Impairment	-	-	103	-	-	103
Exchange adjustments	-	-	(1)	1	(4)	(4)
At 31 December 2017	128	72	1,505	12	428	2,145
Net book value At 31 December 2017	5,447	231	3,668	10	813	10,169

Based upon the impairment reviews undertaken (Note 12) the directors have concluded that there have been impairments during the 2017 financial period of £103,000.

Included within the cost of freehold property is £2,820,000 relating to land which is not depreciated.

Plant and machinery includes assets with a carrying value of £439,726 which are held under finance leases and hire purchase contracts.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

14. Fixed asset investments

Company

	Investment in subsidiary undertakings £000
Additions	65,898
Impairment charge	(50,714)
	<hr/>
At 31 December 2017	15,184
	<hr/>

The impairment has been determined by applying the results of the detailed assessment of the value in use of the subsidiaries (see note 12) and adjusting the resulting enterprise value for the external net debt held by these businesses.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

14. Fixed asset investments (continued)

The subsidiary undertakings of Sherwood Holdings Limited at 31 December 2017 and their respective activities were as follows:

	Country of incorporation	Principal activity	Percentage held
Source Bioscience Limited	England	Holding Company	100
Source BioScience UK Limited ⁽¹⁾	England	Provision of diagnostic and genomic services and distribution of diagnostic and genomic products	100
Source BioScience (Orchard Place) Limited ⁽¹⁾	England	Property rental	100
Source BioScience (Storage) Limited ⁽¹⁾	England	Provision of controlled environment storage, services and products	100
✧ Select Pharma Laboratories Ltd ⁽²⁾	Scotland	Provision of pharmaceutical, physical and chemical testing	100
✧ Source BioScience Scotland Limited ⁽²⁾	Scotland	Ancestral DNA testing	100
Source BioScience Ireland Limited ^(3, d)	Ireland	Provision of controlled environment storage services	100
Source BioScience GmbH ^(4, a)	Germany	Provision of genomic services and distribution of genomic products	100
Source BioScience Germany GmbH ⁽⁴⁾	Germany	Intermediate holding company	100
Source BioScience Inc ^(5, e)	United States	Provision of controlled environment storage, services and products	100
Source BioScience (Cryobank) Limited ^(1, d)	England	Dormant	100
Geneservice Limited ⁽¹⁾	England	Dormant	100
Fairfield Imaging Limited ⁽¹⁾	England	Dormant	100
Fairfield Telepathology Limited ^(1, b)	England	Dormant	100
Kinetic Imaging Limited ⁽¹⁾	England	Dormant	100
Medical Solutions (Leeds) Limited ⁽¹⁾	England	Dormant	100
Cryobank Guarantor Limited ⁽¹⁾	England	Dormant	100
Quinoderm Limited ⁽¹⁾	England	Dormant	100
Source BioScience (Healthcare)	England	Dormant	100
Select Storage Solutions (Scotland) Ltd ^(2, f)	Scotland	Dormant	100

The Group has agreed to guarantee the liabilities of Source BioScience (Healthcare) Limited (registered number 04730768), Source BioScience (Storage) Limited (registered number 00878160), Source BioScience (Orchard Place) Limited (registered number 06670095), ✧ Select Pharma Laboratories Limited (registered number SC368899), and ✧ Source BioScience Scotland Limited (registered number SC201430), thereby allowing these companies to take exemption from audit under section 479A of the Companies Act 2006. ✕

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

14. Fixed asset investments (continued)

- a Held indirectly via Source BioScience Germany GmbH.
- c Held indirectly via Medical Solutions (Leeds) Limited.
- e Held indirectly via Source BioScience (Storage) Limited.
- f Held indirectly via Select Pharma Laboratories Ltd.

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

Registered addresses

(1)	(2)	(3)	(4)	(5)
1 Orchard Place Nottingham Business Park Nottingham NG8 6PX	Capella 60 York Street, Glasgow G2 8JX	Unit 1 and 2 Riverstown 5 Complex Riverstown Industrial Estate Tramore Co. Waterford	Robert-Rössle-Str. 10 (Haus D79) 13125 Berlin	300 Town Park Drive Suite 130 Kennesaw GA 301444

15. Stocks

	Group 2017 £000	Company 2017 £000
Raw materials and consumables	988	-
Finished goods and goods for resale	195	-
	<u>1,183</u>	<u>-</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The cost of stocks expensed in the year and included within cost of sales was £6.7m. There has been no impairment provisions recognised in relation to inventories.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

16. Debtors

	Group 2017 £000	Company 2017 £000
Trade debtors	4,646	-
Amounts owed by group undertakings	-	3,275
Other debtors	734	-
Prepayments and accrued income	467	-
Tax recoverable	143	-
	<u>5,990</u>	<u>3,275</u>

The impairment loss recognised in the period in respect of bad and doubtful trade debtors was £97,000.

17. Cash and cash equivalents

	Group 2017 £000	Company 2017 £000
Cash at bank and in hand	<u>702</u>	<u>-</u>

18. Creditors: Amounts falling due within one year

	Group 2017 £000	Company 2017 £000
Bank loans	1,000	-
Other loans	18,352	18,352
Trade creditors	2,870	-
Other taxation and social security	343	-
Obligations under finance leases and hire purchase contracts	149	-
Other creditors	226	-
Accruals and deferred income	1,601	-
	<u>24,541</u>	<u>18,352</u>

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

19. Creditors: Amounts falling due after more than one year

	Group 2017 £000	Company 2017 £000
Bank loans	5,300	-
Other loans	55,940	55,940
Net obligations under finance leases and hire purchase contracts	334	-
Accruals and deferred income	887	-
	<u>62,461</u>	<u>55,940</u>

The bank loans and overdrafts of the Group are secured by floating charges over certain assets of the Group.

Details of the maturity of the loans is provided in the note 20.

20. Loans

	Group 2017 £000	Company 2017 £000
Amounts falling due within one year		
Bank loans	1,000	-
Other loans	18,352	18,352
Amounts falling due 1-2 years		
Bank loans	5,300	-
Amounts falling due after 5 years		
Other loans	55,940	55,940
	<u>80,592</u>	<u>74,292</u>

The Group has a £9.0 million term loan and revolving credit facility with Barclays Bank plc. The term loan of £5.0 million is repayable in quarterly instalments of capital and interest of £0.25 million commencing 24 June 2016. The revolving credit facility of £4.0 million is repayable on 24 March 2019, of which £3.1 million was drawn at 31st December 2017.

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

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

20. Loans (continued)

In addition, the Company issued unsecured loan notes to certain shareholders in connection with the acquisition of Source BioScience plc to the value of £49.4m. These are repayable on the 31 December 2023 and interest accrues at 10%, is rolled up with the principal sum and payable on the repayment date.

Other unsecured loan notes include £13.6m issued on 29 July 2016, together with a further £3.0m issued on 30 June 2017, all repayable on 31 December 2018. Interest accrues and will roll up with the principal sum as follows:

- 5% per annum up to 31 March 2017
- 8% per annum from 1 April 2017 to 31 May 2017
- 10% per annum from 1 June 2017 to 30 June 2017
- 12.5% per annum thereafter.

21. Finance leases and hire purchase contracts

Minimum lease payments under finance leases and hire purchase contracts fall due as follows:

	Group 2017 £000
Finance leases and hire purchase which expire	
Not later than 1 year	149
Later than 1 year and not later than 5 years	334
	<hr/> 483 <hr/>

22. Financial instruments

The group and company do not have financial assets or financial liabilities that are fair valued through profit and loss.

23. Deferred taxation

Group

The group has £1.3m of deferred tax assets, arising from tax losses and other short term timing differences which, based on the anticipated future profitability of the group, have not been recognised.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

24. Provisions

Group

	2017 £000 Provisions
At incorporation	-
Provisions at acquisition	633
Movement in the year	47
At 31 December 2017	680

The provision comprises:-

- an amount of £280k in respect of the expected future losses on a long-term cryogenic storage contract where the discounted present value of the direct costs over the contract period are expected to be in excess of the revenue. The provision is expected to be utilised in the next 20 years.
- An amount of £400k recognised in respect of historic employment related matters. The provision is expected to be utilised in the next financial year.

The Company had no provisions

25. Share capital

	2017 £000
Allotted, called up and fully paid	
290,549,917 Ordinary shares of £0.01 each	2,905

Upon incorporation, 1 share was issued for cash at par, with a further 1 share issued for cash at par on 20 July 2016. On 15 September 2016 the Company issued a further 290,549,915 ordinary shares with a nominal value of £0.01 each to the shareholders of Source BioScience plc in exchange for shares previously held by them as part of the acquisition of the business (note 27).

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

26. Capital and reserves

The company's capital and reserves are as follows:

Share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses and other comprehensive income, net of dividends paid.

27. Business combinations

On 15th September 2016 the Company acquired 100% of the equity shares of Source BioScience plc, which subsequently delisted from the London Stock Exchange and changed its name to Source Bioscience Limited. The consideration, including transaction costs, was £65.9m satisfied through a mixture of cash, the issue of new ordinary shares, loan notes and other loans.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

27. Business combinations (continued)

	Book value £000	Fair value adjustments £000	Fair value £000
Tangible assets	11,339	(260)	11,079
Intangible assets	898	-	898
	12,237	(260)	11,977
Stocks	1,952	-	1,952
Debtors	6,512	(1,265)	5,247
Cash at bank and in hand	4,646	-	4,646
Total assets	25,347	(1,525)	23,822
Creditors and provisions	(18,496)	(1,433)	(19,929)
Net assets	6,851	(2,958)	3,893
Goodwill			62,005
Total purchase consideration			65,898
Purchase consideration and transaction costs settled in cash			41,517
Issue of loan notes in return for shares			21,476
Issue of equity instruments			2,905
			65,898

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

27. Business combinations (continued)

The fair value adjustments relate to the impairment of tangible fixed assets in a loss-making CGU at acquisition, the de-recognition of a deferred tax asset included in debtors, the re-measurement of the deferred income related to LBC testing kits, the recognition of an onerous contract provision on a long term cryogenic storage contract and a provision in respect of the expected costs of remediation of the Group's liabilities in relation to historic employment matters.

The post-acquisition trading results and cash flows of the acquired businesses are presented in the statement of comprehensive income and statement of cash flows as, with the exception of the acquisition costs and debt raised and associated debt service costs, Sherwood Holdings Limited undertook no other activities.

28. Discontinued operations

Source Bioscience Scotland Limited ceased trading in July 2017 and Source Bioscience GmbH ceased trading in August 2017. The loss on disposal, which represents the value of the net assets that existed at the date of discontinuance, has been calculated as follows:

	£000	£000
Net assets disposed of:		
Tangible fixed assets	90	
Intangible fixed assets	67	
Stocks	7	
Creditors	45	
		(209)
Loss on disposal		(209)

29. Contingent liabilities

The Group has no contingent liabilities at 31 December 2017.

The Company has guaranteed bank borrowings of its subsidiaries. At the year end the liabilities covered by these guarantees totalled £6.3m.

30. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £306,000. Contributions totalling £44,000 were payable to the fund at the reporting date and are included in creditors.

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

31 Commitments under operating leases

At 31 December 2017 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £000
Not later than 1 year	247
Later than 1 year and not later than 5 years	504
Greater than 5 years	148
	<hr/> 899 <hr/>

The Company had no commitments under operating leases.

32 Related party transactions and controlling party

Remuneration of key management personal (being the directors) is disclosed in note 8.

The directors consider that there is no ultimate controlling party.

Other transactions and balances with related parties are as follows:-

	PIK loan notes	Other loan notes	Accrued interest
	£'000	£'000	£'000
Harwood Capital LLP	16,528	14,600	3,818
Protea Capital SA	16,528	1,000	2,253
Dr Nicholas Watson Ash	96	-	13

Sherwood Holdings Limited

Notes to the Financial Statements For the Period Ended 31 December 2017

33 Analysis of changes in net debt Group

	Cash flow	Other non-cash changes	Acquisition (exc cash and overdrafts)	Total
	£000	£000	£000	£000
Cash at bank and in hand	698	4		702
Debt:				
Finance leases	306	(789)	-	(483)
Debt due within one year	(16,600)	(1,752)	(1,000)	(19,352)
Debt falling due within more than one year	(25,788)	(27,827)	(7,625)	(61,240)
Net debt	<u>(41,384)</u>	<u>(30,364)</u>	<u>(8,625)</u>	<u>(80,373)</u>

Major non cash transactions

- Debt amounting £1.0m has been transferred from due after more than one year to due within one year;
- £0.8m of tangible fixed assets have been acquired under finance lease and hire purchase contracts;
- £8.3m of accrued rolled up interest on the PIK and other loan notes
- Currency retranslation movements on foreign currency denominated bank accounts in overseas subsidiaries