

Source BioScience Scotland Limited

Directors' Report and Unaudited

Financial Statements

Year Ended

31 December 2017

Company Number SC201430

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Source BioScience Scotland Limited

Company Information

Directors J C LeCoque
R S Wheatcroft
T F Nolan

Registered number SC201430

Registered office Capella
60 York Street
Glasgow
Scotland
G2 8JX

Accountants BDO LLP
Regent House
Clinton Avenue
Nottingham
NG5 1AZ

Bankers Barclays Bank plc
3 Hardman Street
1st Floor
Spinningfields
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Source BioScience Scotland Limited

Contents

	Page
Directors' Report	1
Accountants' Report	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Notes to the Financial Statements	5 - 12

Source BioScience Scotland Limited

Directors' Report For the Year Ended 31 December 2017

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

Principal activity

The principal activity of the Company is the provision of DNA Ancestry testing.

Results and dividends

The loss for the year, after taxation, amounted to £109,000 (2016 - loss £149,000).

The directors do not recommend the payment of a dividend in the current year (2016 - £Nil).

Directors

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

J C LeCoque (appointed 27 April 2017)
I M Chisholm (appointed 27 April 2017, resigned 2 January 2018)
R S Wheatcroft (appointed 27 April 2017)
N W Ash (resigned 12 May 2017)
N I Leaves (resigned 12 May 2017)
T C Metcalfe (resigned 12 May 2017)
J D Agnew (appointed 27 April 2017, resigned 12 May 2017)
T F Nolan (appointed 9 January 2018)

Qualifying third party indemnity provisions

The company maintained insurance throughout the year and up to the date of signing the financial statements to cover all directors against liabilities in relation to their performance as directors of the company.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on *20th FEBRUARY 2019* and signed on its behalf.



J C LeCoque
Director

Source BioScience Scotland Limited

Chartered Accountants' Report to the Board of Directors on the Unaudited Financial Statements of Source BioScience Scotland Limited

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Source BioScience Scotland Limited for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the related notes from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance/>.

This report is made solely to the board of directors of Source BioScience Scotland Limited, as a body, in accordance with the terms of our engagement letter dated 15 February 2018. Our work has been undertaken solely to prepare for your approval the accounts of Source BioScience Scotland Limited and state those matters that we have agreed to state to the board of directors of Source BioScience Scotland Limited, as a body, in this report in accordance with ICAEW Technical Release TECH07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Source BioScience Scotland Limited and its board of directors as a body for our work or for this report.

It is your duty to ensure that Source BioScience Scotland Limited has kept adequate accounting records and to prepare statutory accounts that give a true and fair view of the assets, liabilities, financial position and loss of Source BioScience Scotland Limited. You consider that Source BioScience Scotland Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the financial statements of Source BioScience Scotland Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory accounts.

BDO LLP

BDO LLP
Nottingham
United Kingdom

21 Feb 2019

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

Source BioScience Scotland Limited

Statement of Comprehensive Income For the Year Ended 31 December 2017

	Year ended 31 December 2017 £000	14 months ended 31 December 2016 £000
Turnover	68	408
Cost of sales	(63)	(229)
Gross profit	5	179
Administrative expenses	(114)	(328)
Operating loss	(109)	(149)
Loss before tax	(109)	(149)
Tax on loss	-	-
Loss for the financial year/period	(109)	(149)

There was no other comprehensive income for 2017 (2016 - £Nil).

The notes on pages 5 to 12 form part of these financial statements.

Source BioScience Scotland Limited

Registered number: SC201430

Statement of Financial Position

As at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	5	-	52
Tangible assets	6	-	2
		<u>-</u>	<u>54</u>
Current assets			
Stocks	7	-	31
Debtors: amounts falling due within one year	8	-	5
Cash at bank and in hand		1	30
		<u>1</u>	<u>66</u>
Creditors: amounts falling due within one year	9	(437)	(447)
		<u>(436)</u>	<u>(381)</u>
Net current liabilities		<u>(436)</u>	<u>(381)</u>
Net liabilities		<u>(436)</u>	<u>(327)</u>
Capital and reserves			
Called up share capital	10	1	1
Share premium account		50	50
Profit and loss account		(487)	(378)
		<u>(436)</u>	<u>(327)</u>

The directors consider that the Company is entitled to exemption from audit under section 479A of the Companies Act 2006.

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

20th February 2019


T F Nolan
Director

The notes on pages 5 to 12 form part of these financial statements.

Source BioScience Scotland Limited

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

1. General information

Source BioScience Scotland Limited is a private limited by shares company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is shown on the Company Information page. The nature of the Company's operations and its principal activities are outlined in the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Following the change in control in September 2016, the directors have reviewed the accounting framework which has been adopted and decided that FRS 102 is more appropriate than the previous application of FRS 101 Reduced Disclosure Framework (FRS 101). Accordingly these financial statements have been presented under FRS 102 and the comparative figures have been represented accordingly. Further details of the impact of this change are given in note 14.

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

The financial statements have been prepared on a going concern basis reflecting the existence of ongoing financial support from the ultimate parent company and the commitment to postpone repayments of intercompany creditors if required (note 9).

The following principal accounting policies have been consistently applied:

2.2 Revenue

Revenue is measured as the consideration received for analytic testing services provided in the normal course of business, net of discounts and VAT. Amounts received or receivable for these are recognised as revenue when services are provided and any obligations are fulfilled.

2.3 Research and development

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

Development costs and acquired computer software

Development costs are written off as incurred except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised from the point of sale or use of the product on a straight-line basis over the period during which the Company is expected to benefit, usually four years. Development costs on projects in progress are not amortised. A provision is made for any impairment in the carrying value of such development costs. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software and is amortised over its operational life.

Source BioScience Scotland Limited

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

2. Accounting policies (continued)

2.4 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 any accumulated impairment losses.

All 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.

The estimated useful lives range as follows:

Research and development	-	4 years
Website database	-	3 - 10 years

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated 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 less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	-	3 - 10 years
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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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.6 Impairment of assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. Impairment losses are recognised in the Statement of Comprehensive Income.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting 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.

Source BioScience Scotland Limited

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

2. Accounting policies (continued)

2.8 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.

2.9 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.

2.10 Financial instruments

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than its legal form.

The Company's cash at bank and in hand and trade and other debtors and its trade and other creditors and bank overdrafts are measured initially at the transaction price, including transaction costs, and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

2.11 Creditors

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.

2.12 Foreign currency translation

Functional and presentation currency

The 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 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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Source BioScience Scotland Limited

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

2. Accounting policies (continued)

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the 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 Company 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 01 November 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.14 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its 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 in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

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

The preparation of accounts in conformity with FRS 102 requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The directors have made no material judgements or estimates in preparing these financial statements.

Source BioScience Scotland Limited

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

4. Employees

The Company has no employees other than the directors, who did not receive any remuneration (2016 - £Nil). The average monthly number of employees, including directors, during the year was 3 (2016 - 2).

The directors were remunerated for their services to the Company by Source BioScience Limited and Source BioScience UK Limited. It is not considered practical or possible to accurately apportion these costs to each entity in the Group.

5. Intangible assets

	Research and development £000	Website and database £000	Total £000
Cost			
At 1 January 2017	52	87	139
At 31 December 2017	52	87	139
Amortisation			
At 1 January 2017	37	50	87
Charge for the year	15	37	52
At 31 December 2017	52	87	139
Net book value			
At 31 December 2017	-	-	-
At 31 December 2016	15	37	52

Source BioScience Scotland Limited

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

6. Tangible fixed assets

	Fixtures and fittings £000
Cost	
At 1 January 2017	13
At 31 December 2017	<u>13</u>
Depreciation	
At 1 January 2017	11
Charge for the year on owned assets	2
At 31 December 2017	<u>13</u>
Net book value	
At 31 December 2017	<u>-</u>
At 31 December 2016	<u>2</u>

7. Stocks

	2017 £000	2016 £000
Raw materials and consumables	-	31
	<u>-</u>	<u>31</u>

8. Debtors

	2017 £000	2016 £000
Other debtors	-	1
Prepayments and accrued income	-	4
	<u>-</u>	<u>5</u>

Source BioScience Scotland Limited

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

9. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	1	14
Amounts owed to group undertakings	435	348
Other taxation and social security	-	1
Accruals and deferred income	1	84
	<u>437</u>	<u>447</u>

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

10. Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
1,100 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

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

11. Contingent liabilities

At 31 December 2017, under the terms of the Source BioScience Limited group banking facility with Barclays, the Company was party to a bank guarantee with other Group companies. At 31 December 2017 the maximum contingent liability under Group banking arrangement was £5.7m (2016 - £7.4m). The Group has right of set off on all overdraft and bank borrowings as part of this agreement.

12. Commitments under operating leases

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

	2017 £000	2016 £000
Not later than 1 year	1	1
Later than 1 year and not later than 5 years	4	5
	<u>5</u>	<u>6</u>

Source BioScience Scotland Limited

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

13. Controlling party

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

14. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted the previously reported equity or profits or losses.