

24 March 2010

Source BioScience plc

("Source BioScience" or "the Company" or "the Group")

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The Board of Source BioScience plc (LSE: SBS), the provider of expert, quality services and products to the healthcare, pharma biotech and life sciences research sectors announces its unaudited preliminary results for the year ended 31 December 2009 prepared under International Financial Reporting Standards ('IFRS').

Increased revenues underpinned Source BioScience delivering strong cash generation and achieving profitability for the first time in its history. With significant cash reserves Source BioScience remains well placed to continue growth both organically and by acquisition.

During the year Source BioScience successfully continued the growth strategy implemented by the new Board three years ago. This has been achieved by broadening and expanding the business capability, increasing the product portfolio, a capital investment programme in cutting-edge technology and an acquisition strategy to complement and enhance the activities of the Group.

The Group remains focused on expanding and enhancing its portfolio of products and services, with the aim of gaining access to new and expanding markets. Each of the Group's divisions performed strongly and further investment is planned where there is unmet demand for services.

Financial highlights

- Profitable and cash generative
- Profit before tax of £0.2 million (2008: £0.3 million loss)
- Revenue increased by 11% to £12.7 million (2008: £11.5 million)
- Cash generated from operating activities of £0.9 million (2008: £0.4 million)
- EBITDA increased by 119% to £1.1 million (2008: £0.5 million)
- Cash of £7.0 million

Key events

- Trebled next generation DNA sequencing capacity; established Source BioScience as one of the leading commercial service providers of Illumina technology in Europe
- Expansion of laboratory capability at University College London with launch of new, enhanced technology platform for genotyping
- Extension to liquid based cytology agreement and FocalPoint™ automated cytology agreement with Cervical Screening Wales; worth £0.9 million over twelve months
- Agreement with the Northwest NHS Region to provide FocalPoint™ automated imaging system for quality assurance; worth £0.5 million over two years
- CPA accreditation extended to include molecular genetics; underpins provision of next generation of molecular testing and companion diagnostics
- Source BioScience is well placed to take advantage of the restructuring and outsourcing that is currently taking place among large pharmaceutical companies

Post period events

- DNA sequencing facility opened in Dublin; first commercial service provider to establish a sequencing laboratory in Ireland
- Illumina CPro® certification awarded for sequencing service quality
- Source BioScience is the first laboratory in the UK to order the Illumina HiSeq 2000™ high throughput sequencing platform

Laurie Turnbull, Executive Chairman of Source BioScience, said:

“This past year has been extremely significant for Source BioScience with the achievement of another important milestone for the Group. It was the short term objective of the Board to deliver profitability and cash generation and I am delighted to report that both these key objectives have now been achieved.

“As I noted in the Interim Report, it is a credit to the entire team at Source BioScience that the Group has continued to deliver growth against the background of a difficult economic environment. This demonstrates the resolve of everyone involved with the business to constantly improve performance and highlights the robustness of our business model.

“The Group is in a strong financial position reflecting the positive response to the changes made to the business. This places Source BioScience in an ideal position to exploit opportunities that may arise during the current year whilst also providing financial stability and security for the business in the current economic environment. There are significant growth opportunities across the Group and we expect the markets for our services and products to continue to grow.”

Chairman's Statement

Introduction

I am delighted to report that Source BioScience was both profitable and cash generative during 2009. The past twelve months have seen the ongoing growth and development of the business, with expansion in the operations of the Group and the acquisition of new technologies and access to new markets.

Summary results

	2009 £'000	2008 £'000	% growth
Revenue	12,735	11,520	11%
Gross profit	5,626	4,869	16%
Pro forma operating profit/(loss) (before non-recurring items and amortisation on acquisitions)	224	(416)	n/a
Operating profit/(loss)	20	(717)	n/a
Profit/(loss) after tax	267	(227)	n/a
EBITDA	1,075	490	119%
Cash flow from operations	908	601	51%
Year end cash	7,014	7,647	-

The headline numbers above demonstrate the progress that the Group has made during 2009. Revenue increased by 11% to £12.7 million (2008: £11.5 million) and the Group was both profitable and cash generative.

Each of the Group's operating divisions of Healthcare, Pharma Biotech and Life Science Research performed strongly, with revenues increased and operating profit achieved across all activities.

Whilst revenue increased, the cost base of the Group remained tightly controlled. Central costs have been reduced to 20% of revenue (2008: 22%) illustrating the steps that have been taken to effectively manage the Group's infrastructure costs. This improvement demonstrates the continued importance the Board places on cost control whilst ensuring the business has an appropriate infrastructure to support existing and planned activities.

Pro forma operating performance (after adjusting for non-recurring items and the amortisation charge resulting from acquisition accounting under IFRS) improved by £0.6 million to a profit of £0.2 million (2008: £0.4 million loss). Profit after tax was £0.3 million (2008: £0.2 million loss). The movement into profitability represents the achievement of another important milestone for the Company.

Cash generated from operations was £0.9 million (2008: £0.6 million). Net cash outflow was £0.6 million (2008: £4.6 million outflow) and this was after payment of deferred consideration for acquisitions and capital expenditure totalling £1.9 million. The Group's cash balance was £7.0 million (2008: £7.6 million).

Staff

Our highly skilled and qualified staff have responded positively and dynamically to the changes in the Group over the past three years. I would like to take the opportunity to thank them for their hard work and dedication in another year of substantial improvement in the performance of the business. We now look forward to the continued progression of the business and we are confident that we have skilled and motivated staff which will be instrumental in achieving our objectives of further expanding the Company's operations and revenue.

Strategy

The Group's strategy remains to enhance our product and service offering across our Healthcare, Pharma Biotech and Life Science Research divisions. This will be achieved through both organic growth from our existing operations and through carefully selected acquisitions when the opportunities arise. We will seek to broaden our portfolio of products and services, enhancing our offering with greater market penetration and profitability.

In our Healthcare division we see significant opportunities for growth in both our Cytology business, with the phased introduction of automated cytology screening technologies, and in Diagnostic Pathology as we extend the provision of our molecular diagnostic offering into the NHS.

We hold a very strong position in the UK with respect to our liquid based cytology ('LBC') business, with a significant market share of around 47% in England and Wales and considerable barriers to entry. Our Cytology business is profitable and highly cash generative and offers opportunity for expansion with the introduction of automated imaging.

We continue to support a number of clinical assessment trials on automated cytology screening in the UK and are working closely with screening laboratories and NHS Trusts in improving the efficiency of the cervical cancer screening programme.

We have expanded our portfolio of diagnostic tests targeted at the diagnosis and treatment of cancer and we are working with a number of global pharmaceutical companies to provide gene-based companion diagnostic testing services for a range of cancer therapies. We continue to evaluate new technologies that can demonstrate utility in the clinical environment, or existing research technologies that can be migrated to a healthcare setting and provide us with growth in areas of scientific and clinical advancements.

Key to the continued growth of the Pharma Biotech division is the demand from pharmaceutical companies for our enhanced one-stop shop service offering to include a full range of services from tissue pathology to genetic analysis. The combination of our established pathology expertise combined with our biomaterials resource of human tissue, DNA and RNA libraries represents a powerful offering. Increasingly pharmaceutical and biotechnology companies are looking to target therapies to specific disease types within specific patient groups. We anticipate the demand for our pharmacogenomic and genotyping services, which identify the genetic differences between groups of patients and groups of diseases, to increase and we have the facilities and skills to grow in this important, rapidly expanding sector.

There have been significant changes over the past year within the pharmaceutical industry, with many large companies undergoing significant restructuring programmes. A number have embarked on a strategy of working more extensively with functional service providers who act as outsource partners. Source BioScience is ideally placed to be a service partner for outsource projects and we are actively engaged in a number of opportunities.

Our Life Science Research division presents significant opportunities for growth especially within the expanding market for next generation sequencing and genotyping services. Technologies within this sector are advancing rapidly and we recognise the need to stay at the forefront of genomic services. We have invested in additional next generation sequencing technology to enhance our capacity and capability. We remain the only commercial service provider in the UK to offer these next generation sequencing and genotyping technologies and we continue to work in partnership with the supplier and end users to develop the market and applications for this service. In tandem with these new technologies there is increasing demand for bioinformatics analysis and the Group has the staff with the necessary expertise to deliver this supplementary service.

We have seen the continued success of our model to embed our services within academic centres and provide them with core genomic services. Our facility at University College London has proved very successful and we have enhanced our service capability there during the year with the introduction of a new genotyping platform. Since the year end we have added a fifth sequencing laboratory based at Trinity College Dublin's St James Hospital site in Ireland. This new facility extends the Company's geographical reach and establishes Source BioScience as the only commercial sequencing provider with facilities in Ireland.

The Group also has a significant portfolio of antibodies, DNA and RNA samples and an extensive bank of human tissue. These products have applications in life science and clinical research, offering customers rapid access to high quality, leading-edge genomic products, antibodies and related research tools. This products business is highly complementary with the Group's existing activities and enhances our Life Science Research offering.

Prospects

The Board set out just over three years ago to reverse the extremely poor financial performance of the business and set short term objectives to deliver to shareholders. These were to create a company that generates, not consumes, cash and to deliver profitability. Importantly, in achieving those milestones we have built a business that has solid foundations and an exciting future which will enhance shareholder value.

We are delighted to report that during the year the Group generated £0.9 million of cash from operating activities and profit after tax of £0.3 million. We have achieved our goal of having a vibrant and sustainable business on which we are building for the long term benefit of our shareholders, clients and employees.

As highlighted above, we believe the growth opportunities across the Group remain strong and we will continue to drive value from the unique potential that exists for the Group where the expertise in each of our divisions interact and complement each other. In Healthcare, we will build on our strong foundations in cytology and continue to expand our molecular diagnostic services, offering a range of genetic tests designed to diagnose disease, predict the risk of disease and predict and monitor the response to therapies.

With our Life Science Research division we have forged a leading position in Europe for the provision of DNA sequencing services including next generation sequencing and there is a growing market, and growing demand, for our sequencing and genetic services.

With our expertise in genomics we are able to offer a full range of pharmacogenomic services to pharmaceutical and biotechnology companies. As drug development companies seek to develop increasingly targeted therapies, an understanding of an individual's genetic make up is necessary to predict how they will respond to drug treatments and to determine and understand patient metabolism of novel and existing therapies.

At the same time, our Pharma Biotech Services can offer the diagnostic techniques, molecular analysis and biomarker development platforms required to identify companion diagnostics for the targeted drug therapies. As the revenues from this service activity are not dependent on the success of an individual drug, the Group will benefit from increasing overall activity in this area.

We expect demand for our services and products to grow and we will continue to enhance our portfolio to meet that demand. We are exploring new markets and will continue to exploit the cross-selling opportunities we now have from our broad customer base and expanded portfolio.

We will continue to equip the Group with the necessary skills, expertise, technology and products to deliver controlled growth and value to shareholders.

Laurie Turnbull
Executive Chairman

24 March 2010

Business Review (abbreviated)

Cautionary statement

This Business Review contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Source BioScience plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Nothing in this Business Review should be construed as a profit forecast.

Overview

Source BioScience plc provides expert, quality services and products to the healthcare, pharma biotech and life science research sectors. The Group has its headquarters in Nottingham, UK, where it operates state of the art reference laboratories, with additional facilities in London, Cambridge, Oxford and Dublin, Ireland.

The Group's activities are structured into the three divisions of Healthcare, Pharma Biotech Services and Life Science Research as described below.

Healthcare

Healthcare comprises Cytology and Diagnostic Pathology. The division provides the latest cytology screening equipment and techniques as well as reference laboratory diagnostic testing for cancer and other diseases, including predictive testing for treatment optimisation for clinicians and patients.

Our Cytology operation distributes and supports the SurePath™ liquid based cytology ('LBC') system and FocalPoint™ automated cytology imaging platform on an exclusive basis in the UK. These systems are vital in the preparation and analysis of cervical smear samples as part of the national cervical cancer screening programmes. SurePath™ is one of only two systems approved by the National Institute for Health and Clinical Excellence ('NICE') for use in England and Wales.

The Diagnostic Pathology operation provides expert pathology and reference laboratory services to public and private healthcare providers. Pathology services are an essential element of clinical services, making a contribution to the effective detection, diagnosis, treatment and management of disease, especially chronic disease, including cancer. The Group also offers a portfolio of diagnostic tests aimed at supporting clinicians and patients in determining the most appropriate treatment to achieve the best possible outcome for the patient. A significant, and increasing, number of these diagnostic tests are gene-based molecular diagnostic tests being used as a companion diagnostic. Companion diagnostic tests provide information as to whether patients are unlikely to respond favourably to particular drug therapies for certain types of cancer. As new drugs are approved for use, molecular diagnostic tests will become increasingly important in determining whether a patient should be offered a particular drug and in assessing a patient's likely benefit from the therapy.

Source BioScience operates in a highly competitive market and competes for business against other service based organisations often, as in the case of large clients such as the NHS, against core facilities from within the client itself. Regulatory accreditation from relevant authorities is considered to be critical in ensuring the Group can offer its products and services to customers in a trusted manner. Source BioScience has maintained its Clinical Pathology Accreditation ('CPA') throughout 2009 and our Molecular Genetics services have also been accredited in addition to our Pathology services.

Pharma Biotech Services

Pharma Biotech Services offers diagnostic, prognostic and predictive testing services to support therapy discovery and development by pharmaceutical and biotechnology companies, also assisting in identifying and validating markers closely linked with response to therapy during clinical trials. Source BioScience provides support for early and late stage therapeutic development, offering a one-stop shop from tissue pathology, immunohistochemistry ('IHC'), sophisticated image analysis, biomarker determination and assay development to pharmacogenomics including genotyping and gene expression analysis.

Appropriate laboratory accreditations are key to generating growth, especially where services are provided in support of regulatory studies and clinical trials. We maintained our Good Laboratory Practice ('GLP') and Good Clinical Practice ('GCP') status and Human Tissue Authority License throughout the year.

Life Science Research

Life Science Research provides core laboratory research support from conceptualisation to implementation, calling upon a wide range of cutting-edge technology platforms including an online catalogue of biomolecular tools. This incorporates gene sequencing, genotyping, whole genome amplification and a comprehensive library of genomic reagents and clones including cDNA and RNAi, as well as facilitating rapid access to high quality antibodies, cell cultures, diagnostic assays for cancer and other genetic testing and related research tools.

Gene expression profiling determines how gene expression alters under experimental or pathological conditions using microarray and real time PCR technology platforms. Genomic DNA extraction, quantitation, amplification and biobanking are also provided for human DNA. In conjunction with whole genome amplification, Source BioScience can now provide the requisite technologies for the processing of minute quantities of DNA and RNA from difficult or rare samples which can subsequently be sequenced, genotyped or expression profiled.

Source BioScience is also an international distributor for a biological archive of more than 16 million DNA samples, antibodies and RNAi libraries. These resources represent essential tools for gene structure and function studies.

Business Segment Performance Review

Healthcare

Our Healthcare division generated revenue of £6.9 million, an increase of 9% on last year (2008: £6.4 million) and divisional profit increased by 34% to £1.9 million (2008: £1.4 million).

Cytology

Cytology continues to be a real success story for Source BioScience and 2009 was an interesting year. There was a significant impact on demand for our LBC consumables following the publicity surrounding the death of Jade Goody from cervical cancer. Cervical cancer screening centres across the UK reported increased demand for cervical cancer screening, resulting in a 25% increase in demand for our LBC consumables during the first half of the year. It was a credit to everyone within our Healthcare team, especially in distribution and logistics, that we were able to satisfy that demand whilst maintaining our high standards of customer service. It was unclear at the time whether this peak in requirement was from increased compliance with the screening programme, or women wishing to attend for their screening appointments earlier than scheduled. As the year progressed and consumable volumes stabilised, it became apparent that the majority of the peak in demand was attributable to early attendance rather than from increased compliance.

We have identified the introduction of automated cervical cancer screening in the UK as a significant opportunity for the Group. During the year we entered into an agreement with the Northwest NHS Region to provide our FocalPoint™ automated imaging platform for quality assurance applications for an initial period of two years. This agreement is worth £0.5 million over the two year period and demonstrates the intent of the NHS to adopt this technology into the cervical cancer screening programme. To fulfil this agreement, we invested in additional FocalPoint™ automated imaging systems, doubling our capacity of this important technology.

In addition to the above agreement, we announced an extension to our existing agreement to supply cytology services and automated imaging technology to Cervical Screening Wales ('CSW'). The agreements with CSW are worth £0.9 million over a twelve month period and underline the effectiveness and efficacy of the FocalPoint™ system.

Opportunities

Widespread introduction of automated cervical cancer screening in the UK remains a significant opportunity for the Group. The two year agreement with the Northwest NHS Region represented an important milestone and demonstrates the intent of the NHS to accept and adopt this technology into the cervical screening

programme. FocalPoint™ is highly complementary with our existing Cytology business and enables the automated screening of cytology slides produced using the SurePath™ LBC system. With over 3.5 million cytology slides manually screened for cervical cancer every year in the UK, cytology lends itself to increased automation.

During 2010 we will continue to collaborate with the NHS to demonstrate the utility of the FocalPoint™ system within the clinical setting and support the Health Technology Assessment ('HTA') MAVERIC trial of automated cytology screening systems. We anticipate that the results of the MAVERIC trial will be reported during 2010.

Diagnostic Pathology

During 2009 we strengthened our molecular diagnostic and companion diagnostic portfolio and leveraged our experience and credibility as a provider of expert, quality laboratory services as the foundation for the increased penetration of our molecular diagnostic services into the NHS.

Diagnostic Pathology saw increasing demand for our molecular diagnostic tests for cancer. This included significant growth in demand for the K-RAS gene test which indicates whether patients are unlikely to respond favourably for particular therapies for certain types of cancer, making treatment decisions more relevant and treatment regimes more cost effective. Current demand for K-RAS testing is mainly in relation to patients with colorectal cancer, where the presence of a mutated form of the K-RAS gene in the cancer cells may indicate that a patient is unsuitable for new anti-EGFR drugs such as Erbitux™ and Vectibix™.

Source BioScience has a commitment to quality. We view quality management and quality assurance essential in delivering a credible and robust diagnostic service to the NHS and private healthcare. Accordingly we take all appropriate steps to ensure we have necessary accreditations in place from the appropriate regulatory authorities. During the year we were inspected by the Clinical Pathology Accreditation ('CPA') and demonstrated compliance with their stringent requirements for approval. As a result we are now an accredited laboratory for molecular genetics, alongside our existing accreditations, which underpin the provision of our molecular diagnostic testing portfolio.

During the year we were asked to undertake a number of new "duty of care" reviews which demonstrates the faith NHS trusts have in our CPA accredited histopathology reporting service. Our reputation as an independent, fully-accredited high quality service provider is instrumental in securing this type of work.

Opportunities

Our strategy is to expand the range of diagnostic tests we provide but also to extend the penetration of our molecular diagnostic offering into the NHS. We are working closely with key opinion leaders in the oncology and pathology community, and with a number of biotechnology and pharmaceutical companies, to increase awareness and utilisation of molecular pathology techniques in public healthcare.

Molecular diagnostic tests, when used in conjunction with a therapy, are referred to as companion diagnostic tests. Companion diagnostics indicate the likely response, or non-response, of a patient to specific therapies. There is increasing demand for targeted therapies as a means to improve treatment success and reduce costs. Accordingly there is increasing demand for companion diagnostics to identify which patients are likely to respond and which are not. The K-RAS test highlighted above is just one example of such a companion diagnostic.

We have also introduced a number of IT initiatives and solutions that will facilitate faster access to test results, generating real operational and clinical benefits for both the hospital and patient as diagnoses can be received, reviewed and acted upon more quickly.

Pharma Biotech Services

Our Pharma Biotech Services division delivered a much improved performance during 2009 with revenue of £0.9 million, an increase of 60% on last year (2008: £0.6 million), and the division reported a profit of £0.2 million (2008: £0.1 million loss).

We have seen increased interest from a broader spectrum of pharma biotech customers in our enhanced “one-stop shop” pathology to genomics offering, particularly from the top tier pharmaceutical companies. The combination of our established pathology expertise combined with our cutting-edge genomics capability represents a powerful offering, particularly with accelerating interest in targeted therapies and pharmacogenomics.

Pharmacogenomics is the study of how a patient may respond to a therapy based upon their genetic make up. It is therefore a powerful tool in predicting how a patient may respond to an existing or novel therapy. Such an understanding can decrease the use of expensive therapies and invasive procedures. Additionally, knowledge of the likely effectiveness of a therapy makes it more reliable and represents progress towards targeted therapies for individual patients. Analysis with our Illumina next generation sequencing platform represents a cutting-edge way of revealing those genetic variants that may influence drug response.

We have also commenced a number of new projects with pharmaceutical companies in support of ongoing clinical trials. The demand has been for a broad range of our services including traditional pathology and immunohistochemistry ('IHC'), molecular testing for mutation status and circulating tumour cell ('CTC') enumeration. This remains consistent with the increased focus that pharma companies are placing on reducing the costs of therapy development by improving the efficiency with which potential drug targets can be identified; determining ways by which the potential patient population can be segmented to eliminate likely non-responders; creating targeted therapies with a companion diagnostic and ensuring that the later phase clinical trials are as effective as possible.

Opportunities

We will continue to promote our genomic capability to pharmaceutical companies requiring molecular analysis as part of their pre-clinical research and development programmes as well as emerging pharmacogenomic analysis supporting clinical development of therapeutics, especially targeted therapeutics. We are also exploring opportunities with a number of pharmaceutical companies to determine the genetics of diseases such as diabetes, neurological and cardiovascular disease. These are disease areas complementary to our expertise in oncology and are likely to be areas of focus for pharmaceutical companies looking to make use of pharmacogenomic analysis.

Life Science Research

Life Science Research performed in line with expectations. Revenue increased by 7% to £4.9 million (2008: £4.6 million) and divisional operating profit increased by 19% to £0.5 million (2008: £0.4 million).

We saw significant growth in our DNA sequencing service. The Company's DNA sequencing solution is based on a combination of Sanger sequencing and next generation sequencing coupled with comprehensive bioinformatic support. This portfolio provides great flexibility and supports the development of new applications to meet individual customer requirements.

We have seen the continued success of our model to embed our services within academic centres and provide them with core genomic services. Throughout the year we offered our conventional Sanger sequencing service from four UK laboratories in Cambridge, Oxford, London and Nottingham. We have since added a fifth sequencing laboratory in Ireland, based at Trinity College Dublin's St James Hospital site. This new facility extends the Company's geographical reach and establishes Source BioScience as the only commercial sequencing provider with facilities in Ireland.

Sanger sequencing revenues increased by more than 20% compared with last year. Whilst around half of that growth was attributable to our facility at University College London ('UCL') all of our sites sequenced higher volumes compared with 2008.

Our next generation DNA sequencing service, based around the Illumina Genome Analyzer Ix™ (GAIx™) platform, was a tremendous success during 2009. The pipeline of projects was extensive and the platform operated at near capacity. In response to the immediate demand for our Illumina sequencing service, we invested £0.7 million in a further two GAIx™ platforms, trebling our capacity and significantly enhancing our sequencing service.

Source BioScience was the first commercial service provider for GAIx™ technology in the UK and this additional investment will ensure Source BioScience's status as one of Europe's leading commercial service providers for this cutting-edge technology. The Illumina technology platforms perfectly complement Source BioScience's extensive portfolio of genomic and diagnostic platforms, with applications in life science research as well as molecular pathology and clinical diagnostics.

We were also delighted to be awarded CPro® certified service provider status by Illumina, one of only ten laboratories in the world. Illumina CPro® is a collaborative service partnership dedicated to ensuring the delivery of the highest quality data available for genetic analysis applications; in short it gives customers a 'guarantee of excellence'. Source BioScience is the only commercial provider in the UK to have CPro® certification and underlines the Company's commitment to deliver the highest possible level of service to its customers and Illumina's confidence in our offering.

We expanded our laboratory capability at UCL with the launch of a new, enhanced technology platform for genotyping. The Fluidigm™ genotyping platform offers a flexible and cost effective solution to genotyping and completes our portfolio of genotyping services. This platform will attract new customers to Source BioScience and enable us to satisfy all the genotyping requirements of our customers.

During the year we also relocated our Cambridge laboratory facility to a new site locally to take advantage of reductions in commercial property lease rentals. The relocation has also enabled us to restructure the operations on the site to further improve efficiencies and was conducted with minimal interruption to our business.

Opportunities

There is an increasing requirement within academic and research laboratories, and pharmaceutical and biotechnology companies, for genomic services including DNA sequencing and genotyping services to identify and quantify genetic differences between individuals or samples. As a result there is a growing market, and growing demand, for our sequencing and genetic services.

Source BioScience is ideally placed to meet this demand across our five laboratories in international centres of genomic research in London, Cambridge, Oxford, Nottingham and Dublin and our sequencing and genotyping platforms represent the latest cutting-edge technologies.

However, technologies continue to develop rapidly and we believe that within a few years next generation sequencing will radically reduce the cost of gene sequencing, creating new markets for companies that offer this service. Growth can be seen from a number of markets. Academic and charitably funded research institutions will be looking to undertake large scale sequencing and re-sequencing projects, which will require high throughput sequencing technologies in order to deliver.

In response, Source BioScience will be investing in Illumina's new HiSeq 2000™ high throughput sequencing platform, the first laboratory in the UK to do so. This investment will further strengthen Source BioScience's existing complement of three Illumina GAIx™ sequencing platforms and will ensure our status as one of Europe's leading commercial sequencing service providers.

The HiSeq 2000™ delivers the highest sequencing output and fastest data generation rate that the industry currently offers. It uses the same sequencing by synthesis chemistry and ancillary equipment as the GAIx™ but innovative engineering has enabled sequencing output to be increased by around 300 per cent. As the UK's only Illumina CPro® certified sequencing laboratory, the HiSeq 2000™ platform perfectly complements our extensive portfolio of genomic and diagnostic platforms.

One consequence of these new technologies is that whilst they increase exponentially the speed with which genetic information can be determined, they generate vast amounts of data which need to be captured, stored, analysed and interpreted. Source BioScience offers a bioinformatics service to provide data analysis for projects we undertake and we plan to enhance this service to meet the demand for bioinformatics where sequencing has been conducted in-house. We find that in many genomics centres access to funding for capital investment can outstrip funding for support services including bioinformatics. As the volume of data generated increases we expect an increasing demand for a consultative bioinformatics service.

There will be further opportunities to embed our services within academic centres and provide them with core genomic services. Replication of this model in other major genomic research centres can consolidate the existing service provision and secure volumes for our embedded technology.

Significantly, the market is already beginning to shift towards commercial applications with pharmaceutical and biotechnology companies looking for an understanding of the genetics of disease and genetic biomarkers as predictors of response by patients to new and existing therapies. There is also a growing awareness amongst private individuals of how an understanding of their genetic make up may influence their health and predisposition to certain diseases.

Central resources

Central resources include facilities, key support services such as finance, HR and IT, together with related costs, and the plc Board costs. Other costs shown centrally include insurances, legal, professional and advisor fees in addition to investor relations.

Central costs have increased by £0.1 million to £2.6 million (2008: £2.5 million). However, over the same period, revenue has increased by more than £1.2 million to £12.7 million and central costs now represent 20% of revenue compared with 22% in 2008. We will continue to monitor and control central costs tightly.

Financial review

Financial performance

Revenue increased by 11% to £12.7 million (2008: £11.5 million). Owing to the operational gearing inherent in a laboratory services business, coupled with close management of the cost base, gross margins have firmed slightly to 44% (2008: 42%).

Our laboratory staff are highly qualified, experienced and adaptable, which enables operational gearing as revenue grows and assists in dealing with fluctuations in workload. Our laboratory infrastructure now encompasses five sites in London, Cambridge, Oxford and Dublin in addition to the main reference laboratory at our head office site in Nottingham. The laboratory infrastructure is capable of handling increased volumes and is scalable with minimal additional investment.

Normal administrative expenses were £3.9 million, consistent with 2008. However, over the same period, revenue has increased by 11% and normal administrative expenses represent 31% of revenue, compared with 34% of revenue in 2008. This relative reduction in expenses results from the focus on cost control that the Board and senior management have maintained throughout the year and demonstrates the operational gearing inherent within the laboratory operations and within the support functions in the business.

In aggregate, total administrative expenses for the year were £4.1 million (2008: £4.2 million) representing 32% of revenue (2008: 37%).

Operating profit for the year was £20,000 (2008: £0.7 million loss). The continued year on year improvement in operating result is a testament to the attitude of all the staff in the Group who have focused on maintaining our exceptionally high quality of service whilst managing costs in the business and increasing the efficiency of our operations.

After net finance income and taxation, the profit attributable to equity holders for 2009 was £0.3 million (2008: £0.2 million loss). The movement into profitability represents the achievement of another important milestone for the Group.

Included in the income statement are non-cash items totalling £1.1 million (2008: £1.2 million). After accounting for these, net finance income and taxation, adjusted EBITDA were £1.1 million (2008: £0.5 million adjusted profit).

Financial position

At 31 December 2009 the Group had net assets of £15.2 million (31 December 2008: £14.8 million).

Non-current assets increased by a net £0.4 million to £10.0 million at 31 December 2009 (31 December 2008: £9.6 million). The significant components of this increase are £0.7 million invested in Illumina next generation sequencing capacity and £0.4 million in the FocalPoint™ automated cytology screening system.

Net current assets reduced by £0.9 million to £5.4 million (31 December 2008: £6.2 million). The main drivers of this change were the scheduled payments for the deferred consideration on historic acquisitions and capital expenditure together totalling £1.9 million. Within current liabilities, trade and other payables have increased by £0.9 million of which £0.7 million represents the investment in the additional Illumina GAllx™ platforms.

The Group has historically been funded primarily through equity although debt has been raised as and when appropriate for the needs of the business. As at 31 December 2009 the Group had no debt other than a negligible balance of £4,000 in respect of finance lease obligations.

Cash flows and liquidity

The Group generated cash from operating activities of £0.9 million (2008: £0.4 million).

After deferred payments for acquisitions, and other non-trading items, net cash outflow was £0.6 million (2008: £4.6 million outflow). Deferred consideration for Autogen Bioclear was £0.8 million and the final deferred consideration payment for Geneservice was £0.3 million. In aggregate we invested £0.7 million in our laboratory infrastructure including payment for the additional FocalPoint™ automated cytology screening systems.

Interest received was just £0.2 million (2008: £0.3 million) on an average balance of over £7.0 million, partly the result of reduced funds on deposit but mainly due to negligible rates of interest on deposits.

The Group's cash balance was £7.0 million as at 31 December 2009 (31 December 2008: £7.6 million).

Prospects

We stated at the beginning of 2007 that it was the objective of the Board to deliver profitability and cash generation. The Group was cash generative for the year ended 31 December 2008 and was both cash generative and profitable for the year just ended 31 December 2009. This has been achieved through a combination of organic growth and prudent, appropriate investment in acquisition opportunities.

There have been further significant and positive changes across the Group during 2009 and the business has continued the momentum generated over the previous three years, with strong performance and profitability achieved across all three divisions. The Group has a closely knit team of Directors and senior management who have demonstrated the right blend of skills, experience and expertise to deliver the strategic objectives and move the business forward financially and operationally.

The focus of the Group remains on the provision of expert, quality services and products to the healthcare, pharma biotech and life science research communities and the commercial and operational structure of the Group has been configured to reflect this.

The activities of the Group are clearly structured commercially into the three divisions of Healthcare, Pharma Biotech Services and Life Science Research. This presents a "joined up" business built on common technology platforms, laboratory processes and intellectual capital. The commonality of technology platforms and expertise across the Group is key in driving the organic growth of the business and enables significant operational gearing without introducing financial or operational inefficiencies from duplication of platforms and processes.

Opportunities for growth are apparent across all three divisions and these have been highlighted above. Additionally, significant opportunities for growth lie in our ability to realise our unique potential that exists where the expertise in each of our divisions interact and complement each other.

Molecular diagnostics

The interaction between our diagnostic pathology expertise in Healthcare and genomics capability in our Life Science Research division creates the opportunity to offer a range of gene-based tests designed to diagnose disease, predict the risk of disease and predict and monitor the response to therapies. Our strategy is to continue to build a portfolio of molecular diagnostic tests, with proven clinical utility and an unmet demand, which positions the Group as an essential service provider of diagnostic testing for healthcare applications.

We already offer a comprehensive range of molecular diagnostic tests. These include gene-based tests for breast cancer including BRCA1 and BRCA2 analysis; the K-RAS, EGFR and B-RAF gene mutation tests and the Roche Amplichip™ CYP450 gene-based diagnostic test which can be used to predict a patient's response to certain therapies.

The molecular diagnostics service offering will extend our penetration into the NHS and private healthcare beyond histopathology and cytology into genetics and cytogenetics, increasing the size of our potential market. Our experience and credibility as a provider of expert, quality reference laboratory services into the NHS will be used as the platform for the introduction of our molecular diagnostic services.

Pharmacogenomics

The genomic services we can provide with our Life Science Research technology platforms are particularly relevant to pharmaceutical companies which require molecular analysis as part of their pre-clinical research and development programmes as well as the emerging pharmacogenomic analysis supporting clinical development of therapeutics. Pharmacogenomics is the study of how a patient's genetic make-up affects response to drug treatments and can be used to determine and understand the patient's metabolism of novel and existing drug therapies and therefore how their disease will respond to a drug treatment. Such an understanding can decrease the use of expensive therapies and invasive procedures. In addition, knowledge of the likely effectiveness of a drug makes it more reliable, improves its efficacy and therefore reduces its cost, improving the chances that the drug will gain regulatory approval. Current information on the genetics of diseases suggests that cancer, diabetes and cardiovascular disease are likely to be the areas of focus for pharmaceutical companies looking to employ pharmacogenomic analyses.

Pharmacogenomics will have a major impact on the future of healthcare and the cornerstone of the analysis is the ability to identify genetic variations that alter an individual's response to a drug. The Group already operates a number of cutting-edge genotyping platforms including the Illumina next generation sequencing and genotyping platforms. This places Source BioScience in an ideal position to be the service provider of choice to pharmaceutical and biotechnology companies looking to undertake pharmacogenomic analysis and those looking to develop and commercialise pharmacogenomics applications.

Companion diagnostics and personalised medicine

Personalised medicine and companion diagnostics will result from an ability to use pharmacogenomic and other analyses to identify biomarkers in patient populations and disease types that indicate likely response, or non-response, to therapies and manufacture targeted therapies for these stratified patient groups. Ultimately, the result of personalised medicine will be the development of therapies by pharma biotech companies that are tailored for each individual patient. We aim to exploit our diagnostic pathology expertise in Healthcare and biomarker development platforms within Pharma Biotech Services to work with pharmaceutical and biotechnology companies to provide fee for service laboratory support for the identification and development of companion diagnostics.

Companion diagnostics are simply biomarkers which, when tested for alongside a therapy, can be used to predict response to that therapy. As demand increases for targeted therapies which will improve treatment success and reduce costs, there is increasing demand for companion diagnostics to accompany those therapies.

Source BioScience is in a prime position to provide the diagnostic techniques, molecular analyses and biomarker development platforms required to identify and develop companion diagnostics. We are currently working with a number of leading pharmaceutical companies to assess genetic biomarkers for a range of cancer therapies. As the revenues from this service activity are not dependent on the success of individual drug programmes, the Group will benefit from increasing overall activity in this area.

The Group's strategy is to grow its Healthcare, Pharma Biotech and Life Science Research businesses through organic growth from existing operations combined with selected appropriate investment and acquisitions to broaden the Group's portfolio of products and services, expanding our core expertise into complementary areas.

Over the medium to long term, the Board remains confident that the opportunities for growth are strong and we expect the markets for our services and products to grow significantly. We continue to equip the Group with the breadth and depth of service offering, technology platforms, expertise and products to deliver controlled growth and value to shareholders.

Dr Nick Ash
Managing Director

24 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Revenue	2	12,735	11,520
Cost of sales		(7,109)	(6,651)
Gross profit		5,626	4,869
Selling and distribution expenses		(1,321)	(1,165)
Administrative expenses:			
– normal		(3,892)	(3,924)
– amortisation of intangibles arising from acquisitions		(204)	(226)
– restructuring costs		-	(75)
Administrative expenses		(4,096)	(4,225)
Research and development		(189)	(196)
Operating profit/(loss)		20	(717)
Finance income		147	363
Finance costs		(2)	(19)
Share of results of associate		43	27
Profit/(loss) on ordinary activities before tax		208	(346)
Taxation		59	119
Profit/(loss) attributable to equity holders of the Company		267	(227)
Total comprehensive income/(expense) attributable to equity holders of the Company		267	(227)
Earnings/(loss) per share:	3		
Basic profit/(loss) per ordinary share		0.13p	(0.11)p
Diluted profit/(loss) per ordinary share		0.13p	(0.11)p

There are no other items of comprehensive income. All results derive from continuing operations.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2009

Group	Attributable to equity holders of the Parent Company					Total equity £'000
	Share capital £'000	Share premium £'000	Merger and other reserves £'000	Special reserve £'000	Profit and loss reserve £'000	
Balance at 1 January 2008	4,075	32,284	2,408	-	(23,803)	14,964
Loss for the year	-	-	-	-	(227)	(227)
Total comprehensive expense for the year	-	-	-	-	(227)	(227)
Employee share option scheme:						
– value of services provided	-	-	-	-	103	103
Capital reorganisation	-	(32,284)	-	10,788	21,496	-
Balance at 31 December 2008	4,075	-	2,408	10,788	(2,431)	14,840
Balance at 1 January 2009	4,075	-	2,408	10,788	(2,431)	14,840
Profit for the year	-	-	-	-	267	267
Total comprehensive income for the year	-	-	-	-	267	267
Employee share option scheme:						
– value of services provided	-	-	-	-	92	92
Balance at 31 December 2009	4,075	-	2,408	10,788	(2,072)	15,199

Consolidated Statement of Financial Position

As at 31 December 2009

	As at 31 December 2009 £'000	As at 31 December 2008 £'000
Non-current assets		
Goodwill	6,617	6,602
Other intangible assets	638	812
Investment in associate	223	180
Loan to associate	-	127
Property, plant and equipment	2,492	1,835
	9,970	9,556
Current assets		
Inventories	509	478
Trade and other receivables	2,633	2,373
Cash and cash equivalents	7,014	7,647
	10,156	10,498
Current liabilities		
Trade and other payables	4,033	3,154
Financial liabilities		
– borrowings	3	32
– loan notes	-	315
Deferred consideration	750	750
	4,786	4,251
Net current assets	5,370	6,247
Total assets less current liabilities	15,340	15,803
Non-current liabilities		
Financial liabilities		
– borrowings	1	4
Deferred consideration	-	750
Deferred tax	140	209
	141	963
Net assets	15,199	14,840
Equity		
Issued share capital	4,075	4,075
Special reserve	10,788	10,788
Other reserves	2,408	2,408
Profit and loss reserve	(2,072)	(2,431)
Total equity	15,199	14,840

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Cash flows from operating activities			
Cash generated from operations	4	908	601
Interest paid		(2)	(19)
Tax received on behalf of acquired subsidiaries		40	-
Tax paid on behalf of acquired subsidiaries		(29)	(144)
Net cash generated from operating activities		917	438
Cash flows from investing activities			
Acquisition of subsidiaries		(1,080)	(5,978)
Cash acquired with subsidiaries		-	1,474
Transaction costs in relation to acquisitions		-	(342)
Investment in associate		-	(25)
Receipts from associate		127	7
Purchases of property, plant and equipment		(713)	(895)
Proceeds from sale of property, plant and equipment		31	553
Purchases of intangible assets		(61)	-
Proceeds from sale of investments		-	17
Interest received		178	312
Net cash used in investing activities		(1,518)	(4,877)
Cash flows from financing activities			
Repayment of borrowings		-	(105)
Finance lease principal repayments		(32)	(76)
Net cash used in financing activities		(32)	(181)
Net decrease in cash and cash equivalents		(633)	(4,620)
Net decrease in cash and cash equivalents		(633)	(4,620)
Cash and cash equivalents at beginning of year		7,647	12,267
Cash and cash equivalents at end of year		7,014	7,647

Notes to the Consolidated Preliminary Financial Statements

For the year ended 31 December 2009

143. Basis of preparation

From 1 January 2005 Source BioScience plc has been required to prepare consolidated financial statements, including comparative data, in accordance with IFRS as adopted by the European Union ('EU'). Accordingly, financial information for the year 2009, and comparative information, has been prepared on this basis.

The financial information contained in this announcement of preliminary financial statements does not constitute the company's statutory financial statements for the years ended 31 December 2009 or 2008. Neither the Directors of the Company, nor our auditor, have as yet approved the statutory financial statements for the financial year ended 31 December 2009. These financial statements are therefore unaudited. The financial information for 2008 is derived from the statutory financial statements for 2008 which have been delivered to the Registrar of Companies. The auditor has reported on the 2008 accounts and that report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The statutory accounts for 2009 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.

The IFRS adopted by the EU applied by the Group in the preparation of this financial information are those that were effective at 31 December 2009. The Group has adopted for the first time the following new IFRS and amendments to International Accounting Standards ('IAS') which became effective during the year:

- IAS 23 Borrowing Costs (revised) (effective for accounting periods beginning on or after 1 January 2009). The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. There is currently no impact of this revision on the financial information.
- Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2009). The revised IFRS 1 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There is currently no impact of this revision on the financial information.
- Amendment to IFRS 2 Share-based Payments: Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009). The amendment to IFRS 2 is of particular relevance to companies that operate employee share save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential revision to the fair value of the awards granted, to factor in the probability of employees withdrawing from such a plan. This amendment has not had a significant impact on the current year results.
- Amendment to IAS 1 Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009). The adoption of the provisions of this standard has led to changes in presentation but has had no impact on the Group's net results or net assets.
- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009). This standard replaces IAS 14 in respect of the disclosure of segmental information. The introduction of this accounting standard has resulted in a change in the financial information presented by the Group with regards to its segments but has had no impact on the Group's net results or net assets.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods and which the Group has decided not to adopt early. Those standards, amendments and interpretations expected to be relevant to the Group are set out below:

- IFRS 3 Business Combinations (revised) (effective for the year ending 31 December 2010). The Group incurs direct costs as part of the acquisition process. Currently such direct costs are included as a cost of acquisition. On adoption of IFRS 3 (revised) such costs will be expensed in the income statement. This is considered to be a significant change to the accounting treatment currently adopted by the Group. The impact on the consolidated financial statements will depend on the number, size and complexity of acquisitions completed in the relevant period.

2. Operating segments

Information about reporting segments

At 31 December 2009, the Group's trading operations were organised into three main operating divisions:

- Healthcare (comprising the business units of Cytology and Diagnostic Pathology)
- Pharma Biotech Services
- Life Science Research

During the year there were immaterial sales between business segments (2008: immaterial) and, where these do occur, they are at arm's length pricing.

Unallocated costs represent corporate expenses and common operating costs. Segment assets include intangible assets including goodwill, plant and equipment, stocks and debtors. Unallocated assets include property, central debtors and prepayments and operating cash. Segment liabilities comprise operating liabilities and exclude borrowings. Segment capital expenditure comprises additions to plant and equipment and capitalised development costs.

Year ended 31 December 2009

	Healthcare £'000	Pharma Biotech Services £'000	Life Science Research £'000	Unallocated £'000	Group £'000
Revenue	6,934	892	4,909	-	12,735
Segment result	1,937	216	495	(2,585)	63
Finance income				147	147
Finance costs				(2)	(2)
(Loss)/profit before tax				(2,440)	208
Taxation				59	59
Profit/(loss) for the year	1,937	216	495	(2,381)	267
Segment assets	2,803	299	8,770	-	11,872
Unallocated assets					
– property, plant and equipment				497	497
– debtors and prepayments				743	743
– cash and cash equivalents				7,014	7,014
Total assets	2,803	299	8,770	8,254	20,126
Segment liabilities	799	61	1,979	-	2,839
Unallocated liabilities					
– creditors and accruals	-	-	-	2,088	2,088
Total liabilities	799	61	1,979	2,088	4,927
Other segment items					
Capital expenditure					
- tangible assets	426	-	854	79	1,359
- intangible assets	61	-	-	-	61
Depreciation	247	12	286	140	685
Amortisation of intangible assets	-	21	214	-	235
Other non-cash expenses					
– share option scheme	-	-	-	92	92

Year ended 31 December 2008

	Healthcare £'000	Pharma Biotech Services £'000	Life Science Research £'000	Unallocated £'000	Group £'000
Revenue	6,354	558	4,608	-	11,520
Segment result	1,448	(65)	415	(2,488)	(690)
Finance income				363	363
Finance costs				(19)	(19)
Loss before tax				(2,144)	(346)
Taxation				119	119
Profit/(loss) for the year	1,448	(65)	415	(2,025)	(227)
Segment assets	2,457	199	8,602	-	11,258
Unallocated assets					
– property, plant and equipment				561	561
– debtors and prepayments				588	588
– cash and cash equivalents				7,647	7,647
Total assets	2,457	199	8,602	8,796	20,054
Segment liabilities	910	142	2,245	-	3,297
Unallocated liabilities					
– creditors and accruals	-	-	-	1,917	1,917
Total liabilities	910	142	2,245	1,917	5,214
Other segment items					
Capital expenditure					
- tangible assets	239	5	564	87	895
- intangible assets	-	-	3,594	-	3,594
Depreciation	394	66	227	134	821
Amortisation of intangible assets	-	21	235	-	256
Other non-cash expenses					
– share option scheme	-	-	-	103	103

3. Earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity shareholders of the Parent Company by the weighted average number of shares outstanding during the year. Diluted earnings/(loss) per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive options.

The calculation of basic earnings per share for the year was based on the profit attributable to ordinary shareholders of £267,000 (2008: loss of £227,000) on 203,765,232 ordinary shares (2008: 203,765,232 ordinary shares) being the weighted average number of ordinary shares in issue.

The calculation of diluted earnings per share for the year is based on the profit attributable to ordinary shareholders of £267,000 (2008: loss of £227,000) and on the weighted average number of ordinary shares in issue, adjusted for 3,119,110 dilutive options, of 206,884,342 (2008: no dilutive options).

IAS 33 Earnings per share requires presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. Net loss per share in a loss-making company would only be increased by the exercise of share options, which were out of the money. Assuming that option holders will not exercise out of the money options, no adjustment has been made to the diluted earnings/(loss) per share for out of the money share options.

4. Reconciliation of operating cash flows

	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
Profit/(loss) for the year	267	(227)
Depreciation of tangible fixed assets	685	821
Recognition of grant income	(13)	(29)
Amortisation of capitalised development costs	29	29
Amortisation of other intangibles	206	227
Share of associate's result	(43)	(27)
Profit on sale of property, plant and equipment	(14)	(30)
Profit on sale of investments	-	(3)
Impairment of investments	-	-
Interest payable	2	19
Interest receivable	(147)	(363)
Share based payments – value of employee service	92	103
(Increase)/decrease in inventories	(31)	70
(Increase)/decrease in trade and other receivables	(331)	154
Increase/(decrease) in creditors	206	(143)
Cash generated from operations	908	601

About Source BioScience:

Source BioScience (LSE: SBS) is a highly focused healthcare and biotechnology company providing diagnostic and screening services to the healthcare community and genetic analyses and biomolecular tools and products to the life science research and pharma biotech sectors.

Its Healthcare operations provide screening and reference laboratory diagnostic testing for cancer and other diseases and additional predictive testing for treatment optimisation for clinicians and patients. Pharma Biotech Services offers support for early stage therapeutic development, offering a one-stop shop from tissue pathology, immunohistochemistry, sophisticated image analysis, biomarker determination and assay development to pharmacogenomics including genotyping and gene expression analysis. Life Science Research services provide core laboratory research support from conceptualization to implementation, calling upon a wide range of cutting-edge technology platforms including an online catalogue of biomolecular tools. This incorporates DNA sequencing, whole genome amplification and a comprehensive library of genomic reagents and clones including cDNA and RNAi, as well as facilitating rapid access to high quality antibodies, cell cultures, diagnostic assays for cancer and other genetic testing, and related research tools.

The Group has its headquarters in Nottingham, UK where it operates state of the art reference laboratory facilities, with additional laboratory facilities in London, Cambridge, Oxford and Dublin, Ireland. Source BioScience is CPA, GLP and GCP accredited and is licensed by the Human Tissue Authority.

Further information about Source BioScience can be found at www.sourcebioscience.com

Glossary

The following terms are used in this document:

Antibodies	Antibodies are proteins that are found in blood or other bodily fluids; they are used by the immune system to identify and neutralise foreign objects, such as bacteria and viruses. A wide range of antibodies with a large variety of cellular targets are available to research scientists through distributors such as Source BioScience.
Bioinformatics	The application of information technology, and computer science, to the field of molecular biology. Common activities in bioinformatics include mapping and analysing DNA and protein sequences, aligning different DNA sequences to compare them and handling and analysing huge data sets generated by the latest sequencing technologies.
Biomarker	Biomarkers often refer to substances found in blood, urine or tissue, changes in which may be used to indicate presence of disease or response to treatment. More generally the term biomarker refers to any molecule that can be used to monitor a particular cellular process and may be a protein, DNA or RNA molecule.
Capillary Electrophoresis DNA Sequencing (also known as Sanger sequencing or conventional sequencing)	DNA sequences are determined using a chemical reaction that results in an array of products that terminate in a different fluorescent coloured dye, which vary in size by one nucleotide. The products are separated, like the rungs of a ladder, by passing them through a capillary with an electric current and determining the order in which they emerge. This method was used for the large DNA sequencing projects of the last 15 years and remains the only way of inexpensively analysing large numbers of small sets of samples (see also Next Generation DNA Sequencing – below)
CYP2D6	Breast cancer patients with certain genetic variations in the CYP2D6 gene may be slow metabolisers of the drug tamoxifen to its active metabolite endoxifen. In this case changes to the treatment regime may be indicated because the efficacy of the drug is reduced.
Circulating Tumour Cells ('CTC')	The identification of small numbers of cancer cells circulating in the blood has been shown to be of potential prognostic significance in breast cancer, colorectal or prostate cancer, and useful for monitoring response to drug therapy.
Clinical Pathology Accreditation ('CPA')	CPA is the accreditation body for clinical pathology services. Accreditation involves an external audit of the ability of a laboratory to

provide a service of high quality by declaring a defined standard of practice, which is confirmed by peer review.

Companion Diagnostic	A test based on a biomarker (which might be a protein, DNA or RNA molecule), the presence or absence of which is associated with the likely efficacy of a drug or other treatment. Companion diagnostics are useful in stratifying patients into groups which are known to respond in a particular way to a drug. A good example of such a test from the Source BioScience breast cancer portfolio is the HER2 test, which assesses levels of the HER2 protein, expression of which is correlated with response to Herceptin™.
DNA and cDNA	DNA (DeoxyriboNucleic Acid) is a large, complex molecule which, by virtue of a unique sequence of building blocks, contains all the genetic information required to create a cell or organism. cDNA (complementary DNA) can be made from all the genes in a genome or just a single gene, or part of a gene. cDNA is DNA that has been synthesised artificially using an RNA template (see below) from the gene(s) selected.
FocalPoint™ ('FP')	An automated imaging system for screening SurePath™ liquid based cytology slides. It uses complex algorithms to interpret the images of each slide and decide the 10 'fields of view' most likely to have any abnormal cells. It can archive up to 25% as 'no further review' which then do not need to be manually screened.
Fluorescence In Situ Hybridisation ('FISH')	In situ hybridisation ('ISH') is a powerful technique, not unlike immunohistochemistry (below), for visualising the presence of specific sequences of DNA and RNA in tissue sections. The technique uses short synthetic sequences of DNA or RNA which will bind, or hybridise, to the tissue with high specificity for the DNA or RNA of interest. Fluorescent "tags" are attached to these synthetic sequences, allowing them to be visualised with a special microscope, even when present at very low levels (FISH)
Genomics	Genomics is the study of an organism's entire genome, where the genome of an organism is its whole hereditary information and is encoded in the DNA (see above) and RNA (see below). This includes both the genes and the non-coding sequences of the DNA.
Genomic clone libraries	A clone library is a collection of clones containing complementary DNA ('cDNA') (see above) and is often intended to represent the genes that are expressed within a given cell or tissue type at a given period.
Genomic products and reagents	In this instance, DNA or RNA extracted and purified from a range of species and provided in a variety of forms for research purposes.
Genotyping & sequencing	DNA sequencing is the process of precisely ordering the building blocks, or nucleotides, of an organism's DNA. The method can be used to determine short sequences of DNA or, in larger experiments, to sequence the entire genome of an organism. Genotyping, in turn, is the process whereby DNA is characterised and then compared to reference data or, if large numbers of samples are genotyped, the data can be examined for patterns which might lead to discoveries of the fundamental causes of inherited diseases. Genotyping is commonly performed by PCR (below) or DNA sequencing.
Good Clinical Practice ('GCP')	GCP accreditation provides further assurance beyond GLP (see below) that all regulatory studies involving human tissue are conforming to the principles of good clinical practice. GCP and GLP compliance is monitored by the Medicines and Healthcare products Regulatory Agency ('MHRA'), a governmental agency.
Good Laboratory Practice ('GLP')	A set of principles that provides a framework within which laboratory studies are planned, performed, monitored, recorded and reported.
Guided Screener Workstation	A microscope with an automated stage linked to a computer which takes data from the FocalPoint™ automated imaging system to guide the

('GSW')	screeener to areas on the slide where there are likely to be abnormal cells. This cuts the number of 'fields of view' which need to be screened from 60 down to 10.
HER2	Human Epidermal growth factor Receptor 2 is a protein whose over-expression within a breast tumour sample may indicate a patient is suitable for treatment with Herceptin™. A test for such over-expression is carried out on all new breast cancer patients.
Histopathology	The study of changes in tissues and cells as a consequence of some disease or toxic processes.
Immunohistochemistry ('IHC')	Immunohistochemistry is a technique for visualising proteins and other molecules in thin sections of tissue. This technique uses antibodies raised in other species against the protein of interest as a tool, and exploits their exquisite sensitivity and specificity for binding to that protein.
K-RAS	The presence of a mutated form of the K-RAS gene in colorectal cancer may indicate that a patient is unsuitable for new anti-EGFR drugs such as Erbitux™ and Vectibix™.
Liquid based cytology ('LBC')	Liquid based cytology is a process for collecting and processing cytology samples from epithelial tissues such as the cervix. It produces a cleaner preparation of cells, without the other materials which frequently contaminate the sample such as blood or mucus.
Next Generation DNA Sequencing ('NGS'), Illumina GAIIX™ and Illumina HiSeq 2000™	Next Generation DNA Sequencing refers generically to set of recent technologies, in our case Illumina GAIIX™ and Illumina HiSeq 2000™ in which massive numbers of short sequences can be determined in a single experiment; for example the Illumina HiSeq 2000™ selected by Source BioScience can sequence two human genomes in approximately one week.
PCR	The Polymerase Chain Reaction is a laboratory technique which specifically and exponentially amplifies a single or a few copies of a segment of DNA. The resulting product can be used as the material for further experiments, for example genotyping or DNA sequencing.
RNA	RNA (RiboNucleic Acid) is a molecule similar to DNA, but is an intermediate product between the DNA of the gene, and the ultimate protein product of that gene. The level of expression of a gene can be gauged by the amount of RNA synthesised from that gene, a process usually measured by quantitative real-time polymerase chain reaction ('Q-PCR').
RNA expression analysis	RNA expression analysis measures the activity of genes at once generating a global picture of cellular function. The expression analyses, or profiles, can distinguish between cells that are actively dividing, for example, or show how the cells react to a particular treatment.

-- ENDS --

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