

Introduction to SourceBio

October 2020

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Jay LeCoque
Executive Chairman

- Experienced CEO in the Life Sciences sector for over 20 years with significant focus on UK listed companies
- Joined SourceBio in 2016 as Non-Exec Chair, becoming Executive Chair and CEO in 2017
- Executive Director, Bioquell plc from 2016 at 146p per share, until acquisition by ECOLAB in 2019 at 590p per share: £139m at a 4.8x revenue multiple
- CEO of Celsis International plc from 2000 and part of the take private team in 2009. Led to exit in 2015 at aggregate \$278m with an IRR of 48% and a 7.6x cash return to shareholders
- MBA, Kellogg School of Management



Tony Ratcliffe
Chief Financial Officer

- Over 20 years technology experience including healthcare and biotechnology at Celsis International plc, Gemini Genomics plc and as founding CFO of Lab 21
- Strong strategic, operational and transaction experience in both private and public markets (AIM and Nasdaq)
- Change management and successful international buy-and-build execution on AIM at Brady plc
- Chartered Accountant trained with KPMG plus MBA



Russell Wheatcroft
Chief Operating Officer

- Over 20 years senior experience in Life Sciences
- Joined Source in 2014 as Marketing Director, subsequently promoted to Commercial Director and further promotion to COO in March 2020
- Strong sales and marketing experience gained in a number of global sales and marketing roles in the Life Sciences and Biotech sectors, including KBiosystems and TTP Labtech (now SPT Labtech)

Executive summary

- **Leading provider of laboratory services** to Blue Chip Pharma, NHS & Private hospitals, with four main areas of focus:
 - Pathology testing services & companion diagnostics
 - DNA sequencing
 - Environment controlled stability storage
 - COVID-19 Antigen RT-PCR testing
- **Formerly Main Market listed**, taken private in 2016:
 - New management team has focused business on **core high margin services - improving quality of earnings and investing for future organic growth**
- Core business revenues of **£19.8m¹** and **EBITDA of £2.8m**, with **2 year EBITDA CAGR of 47%**
- Centrally placed to capture **unprecedented COVID-19 testing opportunity**; already contributing significant revenue and cash flow
- **AIM IPO** in October 2020 to:
 - quickly **scale up COVID-19 testing** services
 - **simplify capital structure** and eliminate debt position
 - **accelerate organic EBITDA growth**
 - **execute on strategic development opportunities**



¹ Revenue of core operations (see reconciliation on page 30)

Four Business Divisions



Healthcare Diagnostics

Complete service for Cellular Pathology and Personalised Medicine for NHS and private healthcare providers



Genomics

State-of-the-art DNA sequencing and bio pharma services for big pharma, biotech and academic communities



Stability Storage

Controlled temperature and humidity storage for shelf life / stability testing for big pharma, medical device and healthcare companies



Infectious Disease Testing

COVID-19 Antigen RT-PCR testing facility passing all NHS and Department of Health & Social Care strict audit requirements

Revenue 2019 ¹
£19.8m

£7.3m

£4.5m

£8.0m

New from
May 2020,
fast scale-
up

¹ Revenue of core operations (see reconciliation on page 29)

Locations



Significant investment already made to facilitate growth

- Investment in Digital Pathology and state-of-the-art Genomics platform
- Investment in new Stability Storage site in San Diego
- Expansion of Tramore (Ireland) site
- Investment in new COVID testing laboratory and subsequent expansion

• **Company is well positioned for growth**

Blue chip client base



Healthcare Diagnostics



Infectious Disease



Genomics



Stability Storage



History and key management initiatives

2016

2017

2018

2019

2020

Focus on core businesses, higher quality earnings and recurring revenue

Jay LeCoque
Non-Exec Chairman

Russell Wheatcroft
Commercial Director

Jay LeCoque
Executive Chairman
and CEO

Sir Ian Carruthers
OBE, (former CEO
of the NHS) joins as
Independent NED

Tony Ratcliffe
CFO

Russell Wheatcroft
COO and lead on
COVID Testing
scale-up

New management structure

Exit unprofitable and non-core business lines

Simplified business and focused structure

Focus on building margins, efficiency improvements, raising prices across the businesses with a reduced cost base

Commercial and Operational focus

Upgrade of sales force,
commercial focus and
sales comp plans

Multi-functional
Pathology and
Genomics Business
Units established

COVID Testing
Service launched

DHSC (NHS) deal

Funding / investment

Taken private by Harwood Capital & Continental Investment Partners for £62.9m



Healthcare Diagnostics: Overview

- One of the **UK's leading outsource partners for Cellular Pathology** – providing services to over 130 NHS departments and Private Healthcare providers
- Access to **largest Consultant Pathologist network** in the UK
- **3yr CAGR in Cellular Pathology Revenues of 34%** - growth driven by shortage of UK pathologists and continuing trend to outsource pathology
- Long-term SLAs underpinned by **long term market drivers**
- **Future growth expected to accelerate** by return of elective surgery and mounting pressure to clear COVID-19 back-logs
- Additional services for **specialist diagnostic testing** and **personalised medicine** development
- **Philips Digital Pathology** system being validated
- **ISO:15189 accredited services** delivered from state-of-the-art facilities in Nottingham

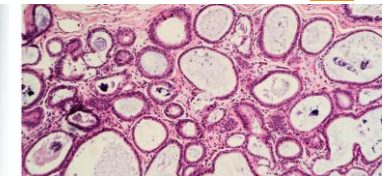
TISSUE SPECIMEN TAKEN FROM PATIENTS



Specimen sent to **SourceBio**



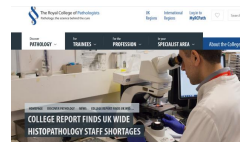
SourceBio provides service for the cut-up, processing, and reporting of wet surgical specimens and pre-prepared blocks or slides through accredited laboratory facility



Reports returned within 5-7 working days
INDUSTRY LEADING TURN-AROUND TIMES



NHS hospital waiting lists could hit 10 million in England this year

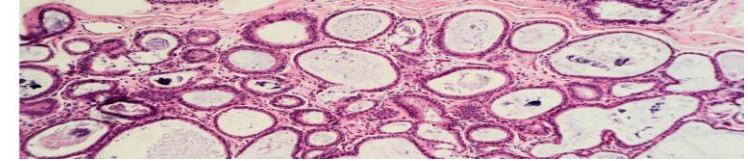


Pathologists shortage 'delaying cancer diagnosis'



Market Dynamics and Growth Potential

- Ageing and retiring Pathologists with limited new joiners into NHS
- Restrictions in NHS funding for their own staff and specialist technology
- Ageing population requiring more treatment
- Evolving case complexity requiring additional work
- **Significant backlog of patients requiring treatment post COVID (10 million has been reported)**
- We believe market is moving to Digital Pathology technology - **SourceBio is leading**



Building High Margin, Repeat Revenues

- Partnership approach locks in client base with SLAs
- Margin improvements to be targeted though volume efficiencies
- **SourceBio has the scientific capability to deliver the most complex work**



Genomics: Overview



- **Genomics** is the study of genes to help **progress clinical research and drug discovery** for the Pharmaceutical and Healthcare industries
- Two types of DNA sequencing:
 - **Sanger Sequencing**
 - **Next Generation Sequencing (“NGS”)**
- High level scientific capabilities with **Centre of Excellence in Cambridge** ideally located for the “The Golden Triangle”
- **Investment** in NovaSeq NGS system from Illumina is expected to drive **larger and repeat projects**
- The **demand for personalised medicine is expected to accelerate** with continuing advancements in sequencing technology

Sanger Sequencing	NGS
<ul style="list-style-type: none"> • High margin, repeat revenues • New labs in Tramore & San Diego located within genomic research hubs • Cambridge Centre of Excellence 	<ul style="list-style-type: none"> • Investment in Illumina NovaSeq expected to open up new opportunities and higher margins • Increased focus on biotech has increased opportunities and project value • COVID related work is to an accelerated timetable
<p>Benefits</p> <ul style="list-style-type: none"> ✓ Fast turnaround time ✓ Global labs for global customers ✓ Direct contact with the Laboratory ✓ High quality, competitive price 	<p>Benefits</p> <ul style="list-style-type: none"> ✓ Fast turnaround time ✓ High data quality ✓ Global provider from ISO-accredited labs



Genomics: Opportunities

Market Dynamics and Growth Potential

- **Outsourced model is preferred solution** for many Pharma and Biotech companies
- Sequencing advancements are **accelerating drug discovery and personalised medicine**
- **Investment in new NGS system improves competitive position** for project lead times and lowers cost base to run multiple projects
- **Upgraded commercial sales team** led by experienced individual with significant industry knowledge
- **Refocused priority** to address larger project types, allowing higher repeat revenue with margin improvements



Building High quality, Repeat Revenues

- Working to build industry client base, focus on upselling
- **Focus on achieving margin efficiencies with same projects and new technology**
- Recent creation of a single Centre of Excellence in Cambridge



Stability Storage: Overview



SourceBio-manufactured walk-in room



Controlled environmental storage tanks



SourceBio Stability Storage service facility

- Environmentally controlled **Stability Storage** is the **gateway for drugs to be released to the market**
- **High margin recurring revenue business**
- **Three main revenue streams** servicing **Pharmaceutical and Consumer Health** client base
 1. **Stability Storage services**
 2. **Manufacture and sale** of storage equipment (cabinets, reach-in rooms and walk-in rooms)
 3. **Service and validation** of equipment sold to customers
 4. Recent addition of **Analytical Testing services** for stability stored product
- Need for **Stability Storage and Analytical Testing** services is **increasing due to regulatory requirements**
- **Well established** having been providing Stability Storage solutions and equipment for over 30 years
- **cGMP/HPRA/FDA accredited facilities** in Rochdale, Tramore and San Diego with recent expansions in capacity



Stability Storage: Opportunities

Market Dynamics and Growth Potential

- **Storage customers provide long-term commitments, with typical trial study periods of c.3 years**
- **Multiple studies typically from each client**
- **Clients are looking for resilience and risk management (SourceBio offers space for disaster recovery programmes, which can be sold multiple times over)**
- **Storage growth is driven by capacity – recent investments made in Ireland and new larger site in US - significant new capacity to sell**



Building High Margin, Long-Term, Highly Visible Revenues

- **Equipment sales drive repeat revenue through need for service & validation**
- **iStorage mobile App launched for new recurring revenues**
- **Standardised panel manufacture replacing historic bespoke panels**



Infectious Disease Testing: Overview

Source BioScience can now provide **COVID-19 testing services** enabling you to get your staff back to work



Click the link to find out how



- **Unprecedented new business opportunity** with both short and longer term potential
- **COVID-19 Antigen RT-PCR testing capability established in May 2020**, already generating material incremental revenue, earnings and cash generation
- **Quickly passed** NHS and Department of Health & Social Care (DHSC) **strict auditing requirements**
- **Established strong supply chain** for reagents and sampling kit requirements, PPE and laboratory consumables **outside of the NHS supply**
- **Some of the largest Private Healthcare providers have signed up on SLAs** for delivery of staff and patient testing
- **Leveraging strong Healthcare clients** for building and harvesting a **robust commercial pipeline**

COVID-19 Test types

Test Type	Available / in use	Current Status	Action from positive result
Antigen PCR	Yes – Used by all Lighthouse, NHS & Commercial labs	The only reliable diagnostics tests for global testing program	Follow HM Government advice or need for treatment for all asymptomatic and symptomatic screening
Rapid Point of Care tests	Yes – in some hospitals	<u>*“The current view by PHE is that the use of products that give a very rapid result is not advised”</u>	<u>Antigen test</u> from test centre, NHS site or private provider for true diagnostics test
Antibody tests	Yes – upon advice from a GP or NHS doctor	<u>**“it does not mean you cannot spread the virus”</u>	<u>Antigen test required</u> to determine current infectious state.
Moonshot	No	No technology or test in the market, no validation, no equipment	Not available – <u>Antigen test required</u>

The only validated, trusted test is the Antigen PCR test used by all NHS, Lighthouse & contracted commercial laboratories in the UK

*<https://www.gov.uk/government/publications/coronavirus-covid-19-antibody-tests/coronavirus-covid-19-antibody-tests>

**<https://www.gov.uk/government/publications/covid-19-rapid-tests-for-use-in-community-pharmacies-or-at-home/covid-19-rapid-tests-for-use-in-community-pharmacies-or-at-home>



Market Dynamics and Growth Potential

- **Additional Government funding in place until March 2021 to support testing**
- Lack of reliable Antibody testing places increasing reliance on Antigen testing
- From August all companies will need a strong testing model due to Government advice to get staff back to work
- Market is moving fast, opportunities from combined Influenza / COVID panels to antibody offerings can be considered
- **The Board is seeing significant NHS and commercial interest and believes there will be a huge opportunity for testing through 2022, most likely peaking in 2021**



Capitalising on an Immense Short-Term Opportunity

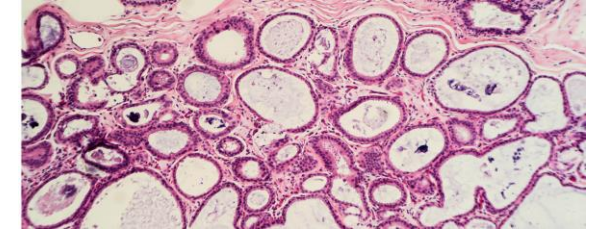
- Initial DHSC/NHS contract which subsequently renewed
- **SourceBio scaling up in anticipation of many months of expected testing requirement**
- **Broad asymptomatic testing programme across NHS, private Healthcare as well as many commercial sectors**
- UKAS recommendation to add COVID testing to SourceBio's UKAS 15189 accreditation places us in a strong position



Healthcare Diagnostics: Financials

Business Unit Revenue Growth

£'000	2017	2018	2019	Q1 2020	Q2 2020
Healthcare Diagnostics Revenue	4,399	5,600	7,293	2,185	544
<i>Annual revenue growth</i>	13.0%	27.3%	30.2%	65.7%	-67.9%



- Gross margins circa 40%

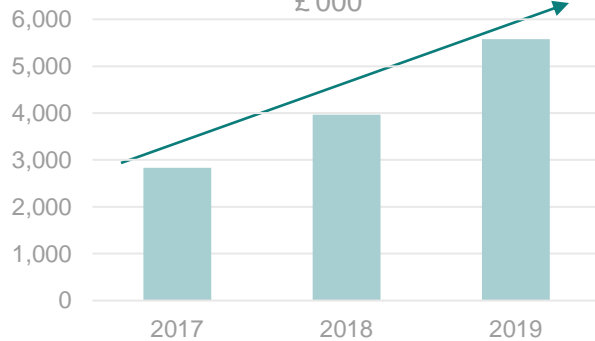
Focus is on Cellular Pathology*

3-year CAGR = 34%, 40% p.a. growth for 2 years

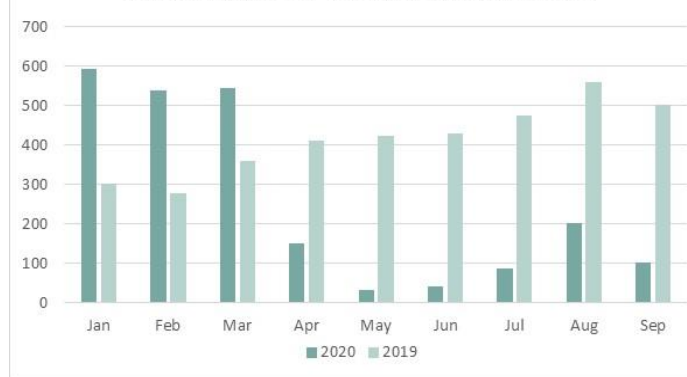
2020 business starting to return post COVID hit in Q2

Sample Volumes have risen very fast

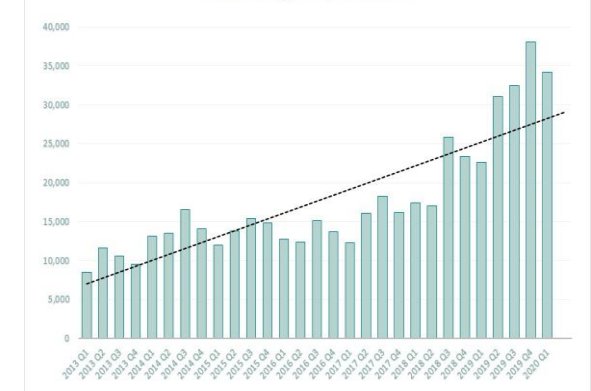
Cellular Pathology Annual Revenues, £'000



Cellular Pathology Monthly Revenue, £'000



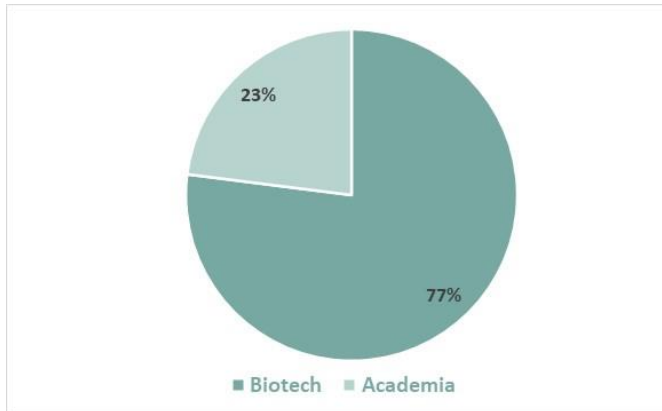
Cell Pathology samples received



*Cellular Pathology represents approximately 77% of division revenue in 2019, with fastest growth



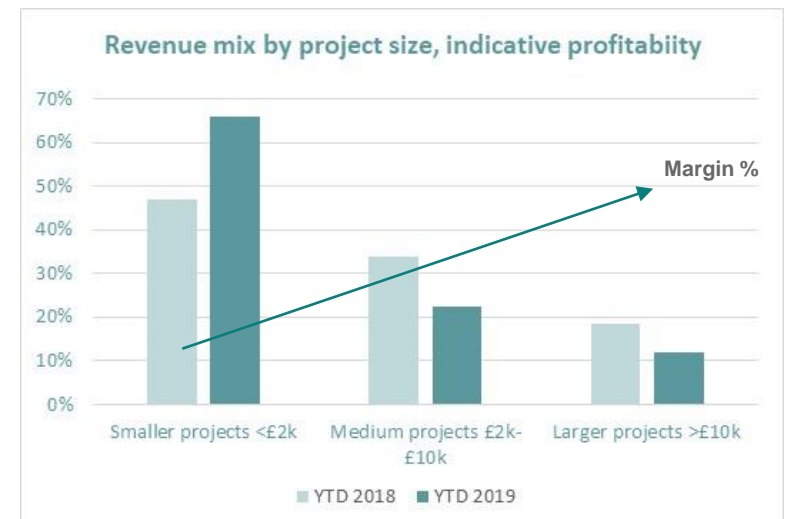
2019 Client Profile



Revenue Mix



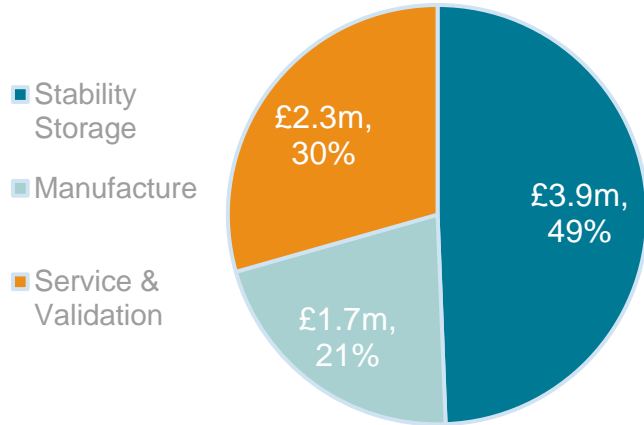
Driver for larger NGS projects



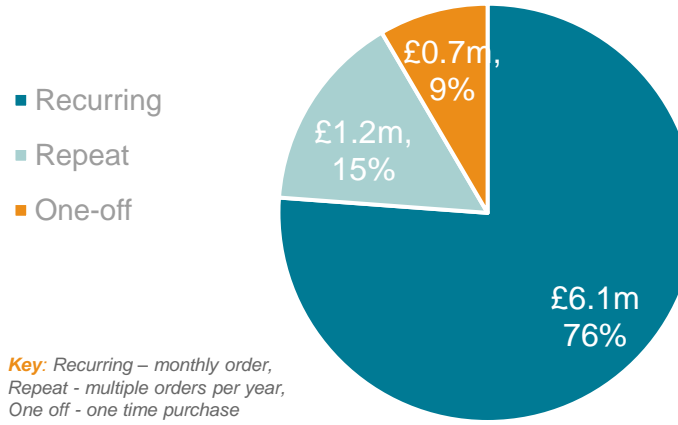


Stability Storage: Financials

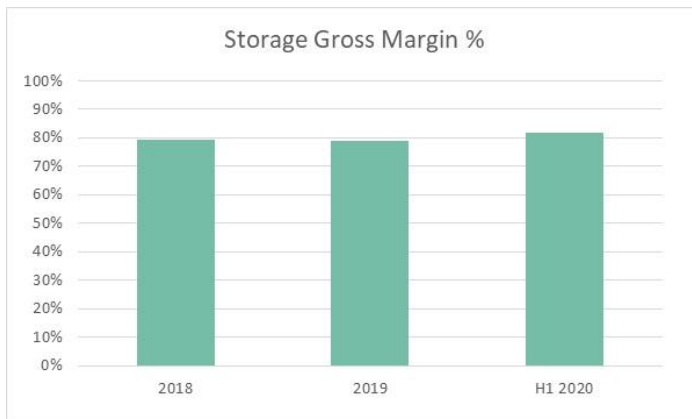
Revenue Mix 2019 (%)



Revenue Visibility 2019 (%)

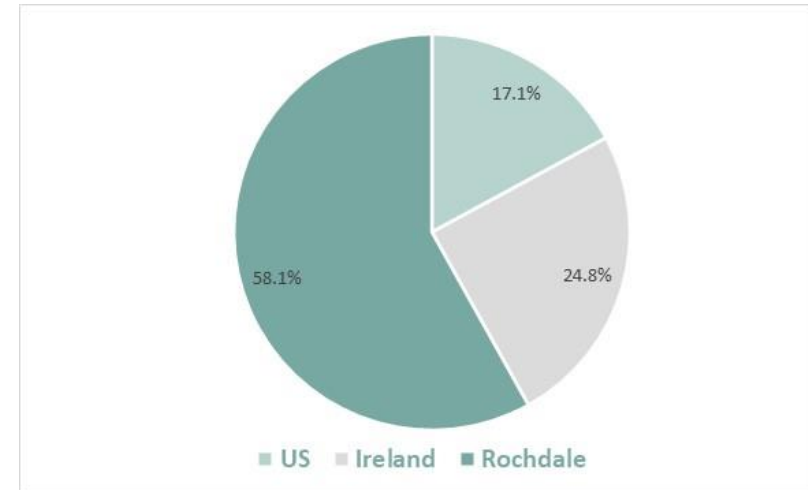


Stability Storage Revenue is High Margin



Note: Excludes Manufacture and Service & Validation business lines

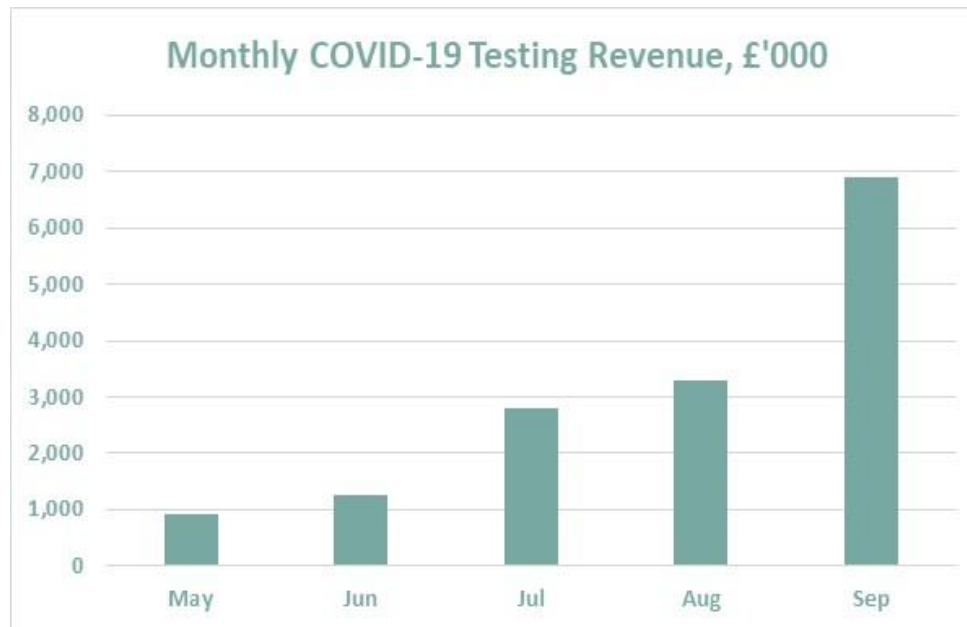
Revenue Mix by Site 2019





Infectious Disease Testing: Financials

Accelerated ramp-up from standing start May 2020



- Average of 5,150 test / day processed and billed in September
- Targeted 10,500 tests / day capacity by year-end
- IPO proceeds to further accelerate capacity expansion

Note: Figures from unaudited management accounts

Revenue & EBITDA - Core operations

Normalised Revenue of Core Operations, IFRS

Note: Please see reconciliation of Normalised Revenues and EBITDA on page 29

In £'000	Year to 31 Dec 2017	Year to 31 Dec 2018	Year to 31 Dec 2019	Six months 30 Jun 2020
Healthcare Diagnostics <i>Annual or year-on-year growth</i>	4,399	5,600 27%	7,293 30%	2,729 -10%
Genomics <i>Annual or year-on-year growth</i>	4,118	4,850 18%	4,523 -7%	1,805 -21%
Stability Storage <i>Annual or year-on-year growth</i>	8,123	7,874 -3%	7,934 1%	3,463 -17%
Infectious Disease Testing (New in 2020)				2,189
Normalised Revenue of core operations <i>Annual or year-on-year growth</i>	16,639	18,324 10%	19,750 8%	10,186 7%

Normalised EBITDA of Core Operations, IFRS

Normalised EBITDA of core operations <i>Annual or year-on-year growth</i>	1,315	2,104 60%	2,830 34%	1,467 80%
<i>% of Revenue</i>	8%	11%	14%	14%

Unaudited extracts from audited and unaudited Historic Financial Statements in UK GAAP, translated into IFRS

- **Highly regulated environment** requiring operating laboratories and facilities to meet highly specified standards (e.g. MHRA, HPRA & FDA accredited facilities)
- SourceBio is **deeply embedded in NHS**, who are a strong reference client to commercial customers
- Highly educated and trained staff delivers **significant know-now** required for a high proportion of the group activities
- **Significant investment required** to acquire and maintain state of the art facilities (**SourceBio has heavily invested**), latest technology and highly complex instrumentation to deliver clinical results
- **Established market position** and trusted to deliver highly critical services reliably and repetitively – integrity of service is key to customers

Healthcare Diagnostics



- Drive Digital Pathology
- Target private healthcare providers
- Expand oncology specialties



Genomics



- Personalised Medicine bridge to Pathology
- Expand presence in Ireland and US
- Niche high value projects



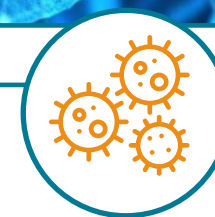
Stability Storage



- Ireland and US expansions
- Increase service capability in US
- Continue kit refresh with upgraded technology



Infectious Disease Testing



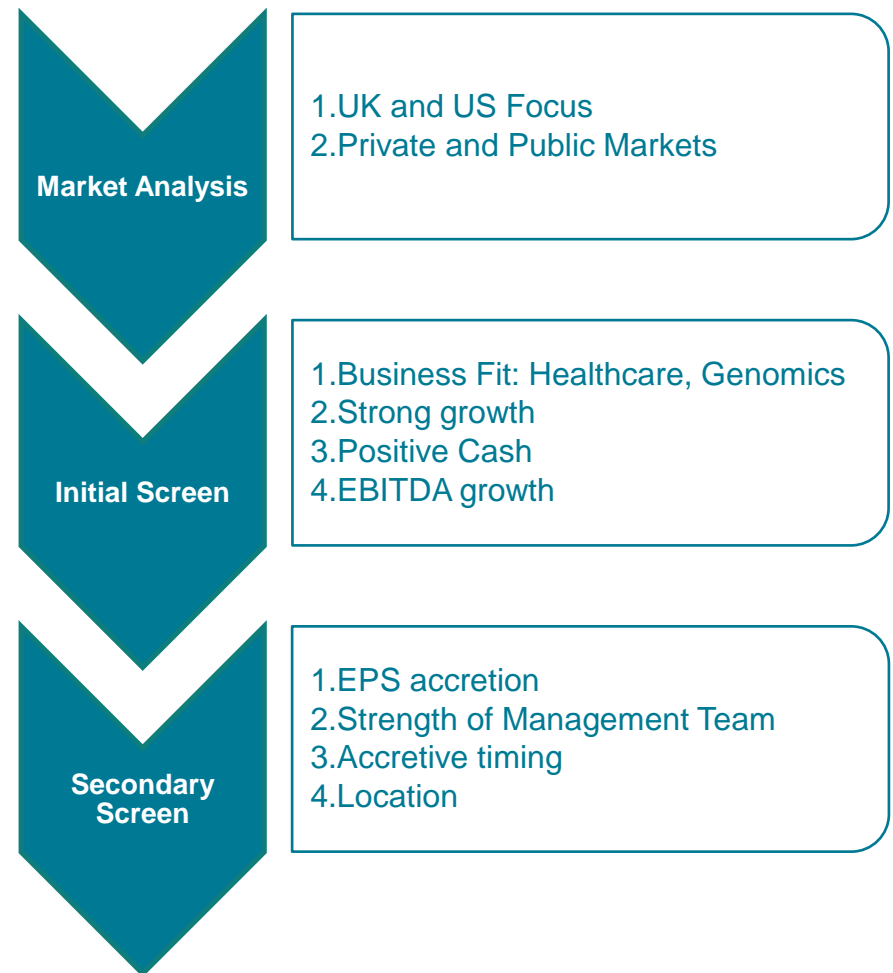
- Leverage lab expansions
- Increase focus on private market
- Expand services offering



Employ capital discipline from AIM listing and strong cash generation from COVID testing to accelerate our strategic development plans

Initial universe of potential targets already identified:

- Cellular pathology laboratories to better access private healthcare in London
- Further US expansion into cellular pathology and healthcare diagnostics
- Other oncology specialties
- Infectious disease rapid micro and sequencing services



- **Established, leading provider of laboratory services** to Blue Chip Pharma, NHS & Private hospitals
- **Rapidly growing market opportunities in base business** for outsourced Cellular Pathology / Healthcare Diagnostics, Genomics and Stability Storage
- **International reach**, with revenues generated from UK, Ireland and US
- **Robust EBITDA margins** driven by barriers to entry
- **Unprecedented short and longer term business opportunity** to build up and beyond COVID-19, driven by high demand and limited quality supply
- **IPO funds** and COVID-19 testing cash generation to allow **faster ramp-up of COVID-19 testing, capital restructure and fund future strategic development** opportunities to enhance shareholder value



Appendix

Media: Pathologist shortage and waiting lists

The Guardian UK edition - Search jobs Sign in Search -

NHS hospital waiting lists could hit 10 million in England this year

The Royal College of Pathologists Pathology: the science behind the cure UK Regions International Regions Log in to MyRCPath Search the 1

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Pathologists shortage 'delaying cancer diagnosis'

By Emma Forde
5 live Investigates

16 September 2018 Share



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Shortage of Histopathologists in the United Kingdom Now Contributing to Record-Long Cancer-Treatment Waiting Times in England

Oct 31, 2018 | Laboratory Hiring & Human Resources, Laboratory Management and Operations, Laboratory News, Laboratory Operations, Laboratory Pathology, Laboratory Testing

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f t in e p

Steep pathologist workforce decline in U.S. raises alarm

By Emily Hayes, LabPulse.com editor in chief

May 31, 2019 - The number of active pathologists in the U.S. plummeted between 2007 and 2017 by about 17.5% and puts the country at risk of a shortage in the future, though a smaller workforce is currently handling a bigger load of cases, according to a study published on May 31 in JAMA Network Open.



SourceBio locations



Normalised Revenue & EBITDA reconciliations

Revenue Reconciliation, IFRS

In £'000	Year to 31 Dec 2017	Year to 31 Dec 2018	Year to 31 Dec 2019	Six months to 30 Jun 2020
Normalised Revenue of core operations	16,639	18,324	19,750	10,186
<i>Annual or year-on-year growth</i>		10%	8%	7%
<u>Reconcile to IFRS Accounts:</u>				
Add Wound-down operations	4,672	4,587	568	
Add Non-core operations	1,601	1,283	916	406
Add 4 months Sep - Dec 2016 re 16 month period	6,802			
Total Revenue under IFRS	29,714	24,194	21,234	10,592

EBITDA Reconciliation, IFRS

Normalised EBITDA of core operations	1,315	2,104	2,830	1,467
<i>Annual or year-on-year growth</i>		60%	35%	80%
<i>% of Revenue</i>	8%	11%	14%	14%
<u>Reconcile to IFRS Accounts:</u>				
Non-core operations	1,575	1,676	186	207
Add 4 months Sep - Dec 2016	118			
Total EBITDA under IFRS	3,008	3,780	3,016	1,674

Unaudited extracts from audited and unaudited Historic Financial Statements in UK GAAP, translated into IFRS

Income Statement extract

In £'000 under IFRS	16 months to Dec 2017 Unaudited	Year to Dec 2018 Unaudited	Year to Dec 2019 Unaudited	Six months to Jun 2020 Unaudited
Revenue	29,714	24,194	21,234	10,592
Gross margin	12,253	10,514	8,686	4,557
Gross margin %	41.2%	43.4%	40.9%	43.0%
Operating Expenses	(9,245)	(6,734)	(5,670)	(2,883)
EBITDA	3,008	3,780	3,016	1,674
EBITDA %	10.1%	15.6%	14.2%	15.8%
Depreciation and amortisation	(2,893)	(2,681)	(1,811)	(924)
Exceptional costs	(51,860)	(2,871)	(177)	54
Operating Profit / (loss)	(51,745)	(1,772)	1,028	804

- See breakdown of Normalised Revenues and EBITDA for Core Operations
- Note significant reorganisation / rationalisation impairments taken in 2017/18 and the material expense reductions secured

Statement of Financial Position extract

£'000 under IFRS	Dec 2017 Unaudited	Dec 2018 Unaudited	Dec 2019 Unaudited	Jun 2020 Unaudited
Intangible assets and goodwill	12,266	11,936	11,761	11,657
Right of use assets	748	568	3,087	2,858
Property, plant & equipment	10,169	7,954	8,125	8,628
Inventory	1,183	1,398	816	1,211
Receivables and other debtors	5,990	6,559	5,230	5,291
Cash	702	1,038	1,235	1,478
Trade creditors	(2,870)	(1,911)	(1,575)	(1,697)
Accruals, ROU liability and other creditors and provisions	(5,040)	(6,897)	(8,554)	(8,058)
Bank and shareholder borrowings ¹	(24,652)	(26,581)	(28,253)	(30,204)
Shareholder owned loan notes (to convert into equity at IPO)	(55,940)	(61,674)	(67,687)	(71,071)
Net Liabilities	(57,444)	(67,610)	(75,815)	(79,907)

Strong focus on working capital management continues through 2020

Inventory

Increased to £1.2m at 30 Jun but against 4 not 3 business units

Receivables

DSO reduced from average 47 in Q1 to average 37 in Q2

¹ Bank and Shareholder Borrowings expected to be paid down before or at the IPO

Statement of Cash Flows extract

£'000 under IFRS	16 months to Dec 2017 Unaudited	Year to Dec 2018 Unaudited	Year to Dec 2019 Unaudited	6 months to Jun 2020 Unaudited
Cash inflows from operating activities	(3,004)	1,848	2,844	1,319
Purchase and disposal of tangible and intangible assets	(808)	(335)	(581)	(1,093)
Purchase of subsidiaries	(36,871)	-	-	-
Proceeds of borrowings	44,713	-	-	1,000
Repayment of bank loans, finance lease obligations, payments of ROU assets and interest paid	(3,332)	(1,177)	(2,066)	(983)
Net increase in cash and cash equivalents	698	336	197	243
Opening cash	-	702	1,038	1,235
Effect of foreign exchange rate	4	-	-	-
Closing cash	702	1,038	1,235	1,478