

SCIENCE GROUP PLC

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

Science Group plc ('Science Group' or the 'Group' or the 'Company'), formerly Sagentia Group plc, reports its audited results for the year ended 31 December 2015.

Operational highlights

- Satisfactory operating performance
- Significant strategic development of the Group
- Acquisition of Oakland Innovation in February 2015
- Acquisition of the business and assets of Leatherhead Research in September 2015
- Acquisition of Epsom freehold property to create second major UK office/laboratory site

Financial summary

- Group revenue of £31.2 million (2014: £28.3 million)
- Adjusted* operating profit of £5.3 million (2014: £5.4 million)
- Statutory operating profit of £2.7 million (2014: £4.7 million) after exceptional costs* of £2.6 million (2014: £0.7 million)
- Operating cash inflow of £4.9 million (2014 : £4.9 million)
- Basic EPS of 7.2 pence (2014 : 8.9 pence) due to net tax credit in the year
- Proposed dividend of 4.0 pence per share (2014: 4.0 pence)

Science Group plc

Martyn Ratcliffe, Chairman

Tel: +44 (0) 1223 875 200

Rebecca Hemsted, Finance Director

www.sciencegroup.com

Numis Securities

Nominated Adviser: Oliver Cardigan / Simon Willis

Tel: +44 (0) 207 260 1000

Corporate Broking: Michael Burke

* Throughout this statement, adjusted operating profit and margin excludes amortisation and impairment of intangible assets, share based payment charges and other exceptional costs.

Chairman's Statement

Science Group plc and its subsidiaries report a satisfactory operating performance for the year ended 31 December 2015, a year of significant strategic change for the Group. Overall the Group maintained strong operating margins despite external market and economic factors, acquisition integration and the inherent volatility associated with a project-based consultancy. The Group maintains a robust balance sheet with significant cash resources and freehold property assets.

Science Group plc provides outsourced science and technology based consultancy, advisory and product development services to a wide range of industries/markets. The majority of the Group's revenues are derived from projects operated on behalf of clients on a time and materials basis, although some smaller projects are undertaken on a fixed price model. The Group's operations are based at its freehold property (approx. 100,000 sq ft) in Harston, near Cambridge, and, progressively from Q1 2016, in the recently acquired freehold property located near Epsom, Surrey (approx. 50,000 sq ft). The Group also has leasehold offices in London, Boston and Houston. With 78% of revenue derived from overseas markets but over 90% of the Group's 350 employees based in the Group's UK office/laboratory facilities, Science Group plc is a significant exporter of leading British science & technology services.

Business Summary

For the year ended 31 December 2015, Group revenue was £31.2 million (2014: £28.3 million) of which Core Business Services revenue was £28.7 million (2014: £25.7 million). Adjusted operating profit for the year ended 31 December 2015 was £5.3 million (2014: £5.4 million) and operating cash inflow was £4.9 million (2014: £4.9 million), reflecting the underlying performance of the Group including the broadly offsetting loss from the Leatherhead business and profit contribution from the Oakland business, both acquired in 2015.

Adjusted operating profit and margin are defined in the Finance Director's Report, along with a detailed explanation of the underlying financial performance and explanation of the non-operating, exceptional and tax adjustments. Exceptional costs in the year include non-recurring charges of £0.5 million related to the integration of the acquisitions made in 2015 and, as previously reported, further costs will be incurred in 2016. The Board has also reviewed the goodwill associated with the OTM Consulting acquisition, particularly in light of the dramatic reduction in the oil price over the past two years, and has impaired the goodwill carrying value by £1.1 million, a non-cash charge. As a result, statutory operating profit was £2.7 million (2014: £4.7 million). However, despite the non-recurring and exceptional charges, due to a net tax credit position benefitting from prior years' R&D tax credits, earnings per share was 7.2 pence (2014: 8.9 pence).

Cash balance at 31 December 2015 was £14.5 million (2014: £23.8 million) with net funds of £6.7 million (2014: £15.0 million) including bank debt of £7.8 million (2014: £8.8 million). The reduction in

net funds resulted from cash outflows of £4.6 million associated with acquisitions; £9.0 million for the freehold property near Epsom, including £1.5 million VAT which has been reimbursed in 2016; and share buy backs of £0.6 million. Following the purchase of the property near Epsom, the Group has significant freehold property assets which have a combined balance sheet carrying value of £20.9 million (2014: £13.6 million).

Strategic Developments and Corporate Matters

On 1 July 2015, Sagentia Group plc was renamed Science Group plc. The product and technology development business continues to use the Sagentia brand.

On 18 February 2015, Science Group plc acquired Oakland Innovation Limited ('Oakland') for a consideration of £5.0 million. Oakland is a Cambridge-based R&D consultancy specialising in technology innovation and market intelligence for the global consumer, healthcare and food & beverage markets. The Oakland business has been successfully relocated to the Group's facility in Harston and synergies with the Group's other businesses are becoming increasingly apparent. In the period following acquisition, Oakland contributed £3.1 million in revenue and £0.4 million in profit, reflecting the effect of the initial business disruption associated with acquisition integration, followed by a strong end to the year.

On 16 September 2015, a subsidiary of Science Group plc acquired the business and assets of Leatherhead Food International Limited via a 'pre-pack' administration for a consideration of £1.6 million. The business was subsequently renamed Leatherhead Research Limited ('Leatherhead'). In the period following acquisition, Leatherhead contributed £2.1 million in revenue and an operating loss of £0.4 million, together with non-recurring costs of £0.5 million. The restructuring and realignment of the Leatherhead business operations is progressing as the Board anticipated. However, the potential synergies of the Leatherhead operations with Oakland and Sagentia have become increasingly apparent and the Group's existing offerings to the food & beverage market have been significantly enhanced by this acquisition.

On 12 November 2015, a subsidiary of Science Group plc acquired Great Burgh, a freehold property near Epsom, Surrey for £7.6 million (including fixtures and fittings and associated acquisition costs). This property will provide a second major office and laboratory facility for the Group and the Leatherhead and OTM businesses are being relocated to Great Burgh. The first fifty employees have already transferred to the facility and the refit programme is on track to complete the transition by mid-summer, subject to receiving consent for the pending planning application.

Reflecting the different channels to market, and the synergistic opportunities arising from the acquisitions, the Sagentia business structure has also evolved and will now comprise Sagentia-Medical and Sagentia-Commercial. At the same time, the North American sales organisation has

been consolidated to ensure the integrated offerings from across the Group can be effectively marketed into this key geography that accounted for 57% of Group revenue in 2015 (2014: 61%).

The Board is proposing to maintain the dividend at 4.0 pence per share (2014: 4.0 pence), at a total cost of £1.6 million (2014: £1.5 million) based on the number of shares in issue at 29 February 2016. Subject to shareholder approval at the Annual General Meeting ('AGM'), the dividend will be payable on 10 June 2016 to shareholders on the register at the close of business on 20 May 2016. As in previous years, the Board will also seek approval from shareholders at the AGM for authority to acquire up to 10% of the issued share capital of the Company so that, if deemed appropriate and in the best interests of shareholders, the Company may continue to make share purchases in the coming year. Due to the shareholding of the Chairman (32.7% at 29 February 2016), this authority will, as in previous years, be conditional on the passing of a general authority Panel Waiver by shareholders and on Takeover Panel approval of a waiver of Rule 9 of the UK Code on Takeovers and Mergers.

Summary

In summary, the financial performance for the year was satisfactory with continued strong adjusted operating margins and operating cash flow. Operationally, some market sectors (e.g. Oil & Gas) were more challenging than the prior year and others were stronger. This typifies the anticipated profile of a multi-sector, project-based consultancy with inherent volatility and limited forward visibility. Diversification of industry revenue sources increases the resilience of the Group and this has been a key component of the acquisition strategy.

Strategically, 2015 saw a significant expansion and evolution of the Science Group. The integration of Oakland is now complete and the integration of Leatherhead is progressing well. These acquisitions, combined with the existing Sagentia activities, have created a unique offering for the Group in the food & beverage market. While 2016 will be constrained by the Leatherhead business relocation, the long term potential of this market positioning should be attractive.

The Board has a medium term investment horizon and will continue to explore both organic and acquisitive investment opportunities to further strengthen the Group. In this endeavour, and also recognising the significant freehold property asset base of the Group, the Board continues to evaluate the most appropriate source(s) of capital to fund further acquisitions whilst minimising dilution to existing shareholders.

Martyn Ratcliffe
Chairman

Finance Director's Report

In the year ended 31 December 2015, the Group generated revenue of £31.2 million (2014: £28.3 million) which included £5.2m generated by the acquisitions in 2015 of Oakland and Leatherhead. The Group continues to have a high proportion (78%) of its Services revenue derived from international markets (2014: 78%), particularly North America which accounted for 57% (2014: 61%).

Adjusted operating profit of £5.3 million (2014: £5.4 million) and adjusted operating profit margin of 17.1% (2014: 19.1%) included an adjusted operating loss from Leatherhead of £0.4 million. Statutory operating profit of £2.7 million (2014: £4.7 million) included exceptional charges relating to the integration of Leatherhead of £0.5 million and an impairment of goodwill attributable to OTM Consulting of £1.1 million.

Statutory profit before tax was £2.4 million (2014: £4.2 million) and statutory profit after tax was £2.8 million (2014: £3.4 million), which benefited from the recognition of deferred tax associated with trading tax losses as well as the recognition of an R&D tax claim credit relating to the prior years of £0.8 million. In line with the decrease of statutory profit after tax, statutory basic earnings per share ('EPS') decreased to 7.2 pence (2014: 8.9 pence). (Adjusted operating profit and margin excludes amortisation and impairment of intangible assets, share based payment charges and other exceptional costs).

The Group reports its results under two business segments. The 'Core Business' represents all revenues derived from delivering projects and consultancy services and expenses recharged on these projects, together with revenues from product sales and licence income. The 'Non-Core' segment now comprises solely property and associated services income derived from space let in the Harston Mill facility.

Revenue from Core Business activities increased to £30.1 million (2014: £27.2 million) due to the acquisitions of Oakland and Leatherhead which contributed revenue of £3.1 million and £2.1 million respectively subsequent to the dates of acquisition. This increase was offset by reported declines in revenues, primarily due in the challenging market conditions within the Oil and Gas sector and also within the Medical sector due to the completion of some large projects. Revenue from Core Business operations includes materials used in projects recharged to customers of £1.4 million (2014: £1.4 million). Other 'Non-Core' revenue was £1.1 million (2014: £1.2 million).

A significant proportion of the Group's revenue is denominated in US Dollars and Euros and changes in exchange rates can have a significant influence on the financial performance. In 2015, £14.2 million of the Group revenue was denominated in US Dollars (2014: £14.1 million) and £2.1 million of the Group revenue was denominated in Euros (2014: £1.1 million) and the exchange rates during the year resulted in a revenue and operating profit benefit in the year, compared to 2014, of

£0.8 million and £0.7 million respectively. The Group continues to monitor the volatility of the exchange rate and to date has decided not to utilise foreign exchange hedging instruments.

At 31 December 2015, Science Group had £17.0 million (2014: £17.6 million) of tax losses carried forward of which £6.6 million (2014: £9.3 million) relate to trading losses which are anticipated to be used to offset future trading profits. During the year, previously recognised trading tax losses of £3.8 million were utilised, tax losses generated by Leatherhead of £1.0 million were recognised as a deferred tax asset and tax losses generated by the exercise of 3.1 million share options were recognised and utilised. These adjustments resulted in a tax credit in the Consolidated Income Statement of £0.4 million. The remaining tax losses of £10.4 million (2014: £8.3 million) have not been recognised as a deferred tax asset due to the uncertainty of utilisation of these losses. The increase in losses of £2.1 million was associated with the exercise of 3.1 million share options where the tax losses have been unable to be fully utilised.

The tax credit in the Consolidated Income Statement also included a one off benefit for the Research and Development tax claim for the 2013 and 2014 financial years which reduced the corporation tax charge by £0.8m. As a result of these various effects, the effective tax rate in the year ended 31 December 2015 was substantially below the nominal corporation tax rate. The Board anticipates that, in view of the trading tax losses carried forward, if the Group's profit profile remains similar to 2015, the Group's cash outflow related to tax will continue to be modest for the next one to two financial years after which the tax cash flow will increase.

The accounting treatment of the various tax effects explained above, combined with the exceptional costs recognised in the current year, have in aggregate resulted in basic EPS being reported at 7.2 pence (2014: 8.9 pence). Due to the complexity arising from these multiple adjustments, an adjusted EPS measure has not been presented.

In 2013, the Group entered into a £10.0 million term loan with Lloyds Bank plc ('Lloyds') which is secured on the freehold property at Harston and, subject to maintaining cash balances in excess of £2.0 million, the loan is not subject to operating covenants. The facility has a term of five years with £5.0 million amortising and the remaining £5.0 million repayable at the term date of September 2018. The Group also entered into a five year interest rate swap, the effect of which is to fix the interest rate on the loan at approximately 3.9%. The Group has not adopted hedge accounting for the interest rate swap under IAS 39, Financial Instruments, and the change in fair value of the interest rate swap of £62,000 was recognised as a gain in the Consolidated Income Statement in the year ended 31 December 2015 (2014: loss of £203,000).

The Group has a strong balance sheet with shareholders' funds at 31 December 2015 of £37.2 million (2014: shareholders' funds of £33.4 million). This includes the Group's freehold properties in Harston, near Cambridge and the freehold property acquired near Epsom, Surrey, held on the balance sheet at an aggregate value of £20.9 million (2014: £13.6 million).

The gross cash position at 31 December 2015 was £14.5 million (2014: £23.8 million) and net funds were £6.7 million (2014: £15.0 million). The acquisition of the two businesses and the freehold property near Epsom during the year resulted in a cash outflow of £13.6 million, including VAT of £1.5 million on the property which has been reimbursed in February 2016. Cash flows relating to the restructuring and integration costs were primarily transferred into 2016 and resulted in net cash generated from operating activities of £4.9 million (2014: £5.0 million) and the net cash outflow related to the dividend, share buyback programme and share option exercises was £0.6 million (2014: £2.1 million). Working capital management remains robust with debtor days of 47 days (2014: 50 days) and combined debtor and WIP days of 7 (2014: 12).

Rebecca Hemsted

Finance Director

Consolidated Income Statement
For the year ended 31 December 2015

	Note	2015 £000	2014 £000
Revenue	2	31,220	28,329
Operating expenses		(25,896)	(22,926)
Adjusted operating profit		5,324	5,403
Amortisation and impairment of intangible assets		(1,660)	(229)
Share based payment charge		(452)	(431)
Other exceptional costs		(534)	-
Operating profit	2	2,678	4,743
Finance income		88	28
Finance costs		(326)	(570)
Profit before income tax		2,440	4,201
Income tax	3	368	(765)
Profit for the year		2,808	3,436
Profit for the year attributable to equity holders of the parent			
		2,808	3,436
Earnings per share			
Earnings per share from continuing operations (basic)	5	7.2p	8.9p
Earnings per share from continuing operations (diluted)	5	6.8p	8.1p

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	2015 £000	2014 £000
Profit for the year	2,808	3,436
Other comprehensive income		
Items that will or may be reclassified to profit or loss:		
Fair value gain on interest rate swap, net of tax	-	41
Exchange differences on translating foreign operations	70	43
Other comprehensive income for the year	70	84
Total comprehensive income for the year	2,878	3,520
Total comprehensive income for the year attributable to owners of the parent		
	2,878	3,520

Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2015

	Issued capital	Share premium	Treasury stock	Merger reserve	Translation reserve	Share based payment reserve	Retained earnings	Total – Shareholders funds
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2014	420	7,775	(2,937)	10,343	195	1,476	13,796	31,068
Purchase of own shares	-	-	(1,801)	-	-	-	-	(1,801)
Issue of shares out of share capital	1	31	-	-	-	-	-	32
Issue of shares out of treasury stock	-	-	300	-	-	-	(138)	162
Dividends paid	-	-	-	-	-	-	(428)	(428)
Share based payment charge	-	-	-	-	-	431	-	431
Deferred tax on share based payment transactions	-	-	-	-	-	-	465	465
Transactions with owners	1	31	(1,501)	-	-	431	(101)	(1,139)
Profit for the year	-	-	-	-	-	-	3,436	3,436
Other comprehensive income:								
Fair value gain on interest rate swap	-	-	-	-	-	-	41	41
Exchange differences on translating foreign operations	-	-	-	-	43	-	-	43
Total comprehensive income for the year	-	-	-	-	43	-	3,477	3,520
Balance at 31 December 2014	421	7,806	(4,438)	10,343	238	1,907	17,172	33,449
Balance at 1 January 2015	421	7,806	(4,438)	10,343	238	1,907	17,172	33,449
Purchase of own shares	-	-	(575)	-	-	-	-	(575)
Acquisition of Oakland Innovation Limited	-	424	940	-	-	-	-	1,364
Issue of shares out of treasury stock	-	-	2,858	-	-	-	(1,400)	1,458
Dividends paid	-	-	-	-	-	-	(1,527)	(1,527)
Share based payment charge	-	-	-	-	-	452	-	452
Deferred tax on share based payment transactions	-	-	-	-	-	-	(268)	(268)
Transactions with owners	-	424	3,223	-	-	452	(3,195)	904
Profit for the year	-	-	-	-	-	-	2,808	2,808
Other comprehensive income:								
Exchange differences on translating foreign operations	-	-	-	-	70	-	-	70
Total comprehensive income for the year	-	-	-	-	70	-	2,808	2,878
Balance at 31 December 2015	421	8,230	(1,215)	10,343	308	2,359	16,785	37,231

Consolidated Balance Sheet
At 31 December 2015

	Note	2015 £000	2014 £000
Assets			
Non-current assets			
Acquisition related intangible assets	7	6,000	1,867
Goodwill	7	5,073	3,458
Property, plant and equipment		22,040	14,458
Investments		100	-
Deferred income tax assets	4	1,324	1,868
		34,537	21,651
Current assets			
Trade and other receivables	8	8,980	5,474
Current income tax asset		472	-
Cash and cash equivalents		14,516	23,802
		23,968	29,276
Total assets		58,505	50,927
Liabilities			
Current liabilities			
Trade and other payables	9	10,689	6,783
Current income tax liabilities	9	-	22
Borrowings	9	1,034	1,009
		11,723	7,814
Non-current liabilities			
Borrowings	10	6,753	7,778
Derivative financial liabilities	10	141	203
Deferred income tax liabilities	4	2,657	1,683
		9,551	9,664
Total liabilities		21,274	17,478
Net assets		37,231	33,449
Shareholders' equity			
Share capital	11	421	421
Share premium		8,230	7,806
Treasury stock		(1,215)	(4,438)
Merger reserve		10,343	10,343
Translation reserve		308	238
Share based payment reserve		2,359	1,907
Retained earnings		16,785	17,172
Total equity		37,231	33,449

Consolidated Statement of Cash Flows
For the year ended 31 December 2015

	2015	2014
	£000	£000
Profit before income tax	2,440	4,201
Depreciation and amortisation charges	1,114	629
Loss on disposal of property, plant and equipment	7	7
Change in fair value on interest rate swap	(62)	203
Share based payment charge	452	431
Impairment of goodwill and intangible assets	1,066	126
Impairment of cost of investment	-	-
Write-off of fair value of contingent consideration	-	(81)
Increase in receivables	(1,412)	(202)
Increase/(decrease) in payables	1,283	(291)
Cash generated from operations	4,888	5,023
UK corporation tax paid	(9)	(155)
Foreign corporation tax received	2	-
Cash flows from operating activities	4,881	4,868
Purchase of property, plant and equipment	(7,857)	(428)
Purchase of subsidiary undertaking, net of cash received	(4,588)	-
Purchase of interest in associated companies	(100)	-
Increase in equity investment in subsidiaries	-	-
Cash flows used in investing activities	(12,545)	(428)
Issue of ordinary share capital	-	32
Issue of shares out of treasury	1,458	162
Repurchase of own shares	(575)	(1,801)
Dividends paid	(1,527)	(428)
Repayment of bank loans	(1,000)	(1,000)
Repayment of other loan	-	(11)
Cash flows used in financing activities	(1,644)	(3,046)
(Decrease)/increase in cash and cash equivalents in the year	(9,308)	1,394
Cash and cash equivalents at the beginning of the year	23,802	22,428
Exchange gains/(losses) on cash	22	(20)
Cash and cash equivalents at the end of the year	14,516	23,802

Extracts from notes to the financial statements

1. General Information

Science Group plc (the 'Company') formerly Sagentia Group plc, and its subsidiaries (together 'Science Group' or 'Group') is an international science and technology consulting group. The Company is the ultimate parent company in which results of all Science Group companies are consolidated.

Science Group provides independent advisory and advanced product development services focused on science and technology initiatives through subsidiary companies branded Sagentia, Oakland Innovation, OTM Consulting and Leatherhead Food Research, which collaborate closely with their clients in key vertical markets to deliver clear returns on technology and R&D investments. Science Group's facilities include offices and laboratories located in Harston near Cambridge, Espom and London in the UK and in the US in Boston, Massachusetts and Houston, Texas.

The Group and Company accounts of Science Group plc were prepared under IFRS as adopted by the European Union, and have been audited by KPMG LLP. Accounts are available from the Company's registered office; Harston Mill, Harston, Cambridge, CB22 7GG.

The Company is incorporated and domiciled in England and Wales under the Companies Act 2006 and has its primary listing on the AIM Market of the London Stock Exchange (SAG.L). The value of Science Group plc shares, as quoted on the London Stock Exchange plc at 31 December 2015, was 138.0 pence per share (31 December 2014: 118.5 pence).

2. Segment information

Science Group is organised on a worldwide basis into two segments, Core Business and Non-Core Business. 'Core Business' activities include all Consultancy fees for services operations, including recharged expenses and product/licence revenue generated directly from these activities. 'Non-Core Business' activities include rental income from Harston Mill and income from the provision of external IT services. The segmental analysis is reviewed up to adjusted operating profit. Other resources are shared across the Group. Other exceptional costs in the year include non-recurring charges related to the integration of the acquisitions incurred in 2015, which are outside the Group's ordinary activities.

Year ended 31 December 2015	Core Business	Non-Core Business	Total
	£000	£000	£000
Services revenue	28,691	55	28,746
Third party property income	-	1,073	1,073
Other	1,401	-	1,401
Revenue	30,092	1,128	31,220
Adjusted operating profit	5,286	38	5,324
Amortisation and impairment of intangible assets			(1,660)
Share based payments			(452)
Other exceptional costs			(534)
Operating profit			2,678
Finance charges (net)			(238)
Profit before income tax			2,440
Income Tax			368
Profit for the year			2,808

2. Segment information (continued)

Year ended 31 December 2014	Core Business £000	Non-Core Business £000	Total £000
Services revenue	25,672	128	25,800
Third party property income	-	1,024	1,024
Other	1,480	25	1,505
Revenue	27,152	1,177	28,329
Adjusted operating profit	5,196	207	5,403
Amortisation and impairment of intangible assets			(229)
Share based payments			(431)
Other exceptional costs			-
Operating profit			4,743
Finance charges (net)			(542)
Profit before income tax			4,201
Income Tax			(765)
Profit for the year			3,436

Geographical segments

Revenue and non-current assets (excluding deferred tax assets) by geographical area are as follows:

	2015		2014	
	Revenue £000	Non- current assets £000	Revenue £000	Non- current assets £000
United Kingdom	7,616	33,213	7,153	19,781
Other European countries	5,409	-	3,667	-
North America	17,244	-	16,546	2
Other	951	-	963	-
Total	31,220	33,213	28,329	19,783

For the purpose of the analysis of revenue, geographical markets are defined as the country or area in which the client is based. Non-current assets are allocated based on their physical location.

In 2015 and 2014, there was no single customer that accounted for 10% or more of the Group's revenues.

3. Income tax

The tax credit / (charge) comprises:

Year ended 31 December	2015 £000	2014 £000
Current taxation	(114)	(120)
Adjustment to prior year	779	97
Deferred taxation (Note 4)	(297)	(742)
	368	(765)

3. Income tax (continued)

The tax on Science Group's profit before tax differs from the theoretical amount that would arise using the weighted average statutory tax rate applicable to profits of the consolidated companies as follows:

	2015	2014
	£000	£000
Profit before tax	2,440	4,201
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	(494)	(903)
Expenses not deductible for tax purposes	(216)	(160)
Adjustment in respect of prior periods	(9)	97
Share scheme deduction	605	210
Movement in deferred tax due to change in tax rate	86	(9)
Current year losses for which no deferred tax asset was recognised	(392)	-
R&D taxation credit	788	-
Tax credit/(charge)	368	(765)

The weighted average statutory applicable tax rate was 20.25% (2014: 21.5%).

The Group has available tax losses of approximately £17.0 million (2014: £17.6 million).

4. Deferred income tax

	2015	2014
	£000	£000
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	392	938
Deferred tax asset to be recovered within 12 months	932	930
	1,324	1,868
Deferred tax liabilities:		
Deferred tax liabilities to be settled after more than 12 months	(521)	(1,683)
Deferred tax liabilities to be settled within 12 months	(2,136)	-
	(2,657)	(1,683)
Total	(1,333)	185

The gross movement on the deferred income tax account is as follows:

	2015	2014
	£000	£000
Beginning of the year	185	462
Acquisition of subsidiaries in the year	(953)	-
Income statement charge (Note 3)	(297)	(742)
Movement in equity	(268)	465
End of year	(1,333)	185

4. Deferred income tax (continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax liability £000	Deferred tax asset £000	Total £000
At 1 January 2014	(2,172)	2,634	462
Charged to the income statement	24	(766)	(742)
Charged to equity	465	-	465
At 31 December 2014	(1,683)	1,868	185
Acquisition of subsidiaries in the year	(953)	-	(953)
Charged to the income statement	247	(544)	(297)
Charged to equity	(268)	-	(268)
At 31 December 2015	(2,657)	1,324	(1,333)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Deferred tax liabilities are recognised against accelerated capital allowances. Deferred taxation amounts provided and not provided in the financial statements are as follows:

	Provided		Not provided	
	2015 £000	2014 £000	2015 £000	2014 £000
Deferred taxation is attributable to:				
Accelerated capital allowances	(1,972)	(2,007)	-	-
Tax losses available	1,324	1,868	2,083	1,723
Acquisition related intangible assets	(1,125)	(401)	-	-
Other temporary differences	440	725	-	-
Deferred tax (liability)/asset	(1,333)	185	2,083	1,723
Tax losses relating to deferred tax asset not recognised	-	-	10,414	8,262

5. Earnings per share

The calculation of earnings per share is based on the following result and numbers of shares:

	2015			2014		
	Profit after tax £000	Weighted average number of shares	Pence per share	Profit after tax £000	Weighted average number of shares	Pence per share
Basic earnings per ordinary share	2,808	39,228,135	7.2	3,436	38,500,084	8.9
Effect of dilutive potential ordinary shares: share options	-	1,911,427	(0.4)	-	4,029,210	(0.8)
Diluted earnings per ordinary share	2,808	41,139,562	6.8	3,436	42,529,294	8.1

Only the share options granted, as disclosed in Note 11, are dilutive. The number of shares in issue (excluding treasury shares) at 31 December 2015 is 41,060,006 (2014: 37,336,615).

6. Dividends

The proposed final dividend for 2014 of 4.0 pence per share was approved by the Board on 21 May 2015. An amount of £1.5 million was recognised as a distribution to equity holders in the year ended 31 December 2015.

The Board has proposed a final dividend for 2015 of 4.0 pence per share. The dividend is subject to approval by shareholders at the Annual General Meeting and the expected cost of £1.6 million has not been included as a liability as at 31 December 2015.

7. Intangible Assets

	Customer contracts and relationships	Goodwill	Total
	£000	£000	£000
Cost			
At 1 January 2014	2,167	3,577	5,744
At 31 December 2014	2,167	3,577	5,744
Acquisitions through business combinations	4,727	2,681	7,408
At 31 December 2015	6,894	6,258	13,152
Accumulated amortisation			
At 1 January 2014	(109)	-	(109)
Amortisation charged in year	(184)	-	(184)
At 31 December 2014	(293)	-	(293)
Amortisation charged in year	(594)	-	(594)
At 31 December 2015	(887)	-	(887)
Accumulated impairment			
At 1 January 2014	-	-	-
Impairment losses for the year	(7)	(119)	(126)
At 31 December 2014	(7)	(119)	(126)
Impairment losses for the year	-	(1,066)	(1,066)
At 31 December 2015	(7)	(1,185)	(1,192)
Carrying amount			
At 31 December 2014	1,867	3,458	5,325
At 31 December 2015	6,000	5,073	11,073

Reconciliation of amortisation and impairment to the Consolidated Income Statement:

	2015 £000	2014 £000
Amortisation of intangible assets	(594)	(184)
Impairment of goodwill and intangible assets relating to Quadro	-	(126)
Write-off of contingent consideration relating to Quadro	-	81
Impairment of goodwill relating to OTM	(1,066)	-
Amortisation and impairment of intangible assets	(1,660)	(229)

Goodwill and acquisition related intangible assets recognised arose from acquisitions during 2013 and 2015.

The carrying amount of goodwill is allocated as follows:

	2015 £000	2014 £000
OTM Consulting	2,392	3,458
Oakland Innovation Limited	2,031	-
Leatherhead Research Limited	650	-
	5,073	3,458

The annual impairment test on goodwill resulted in an impairment of £1.1 million for goodwill relating to OTM Consulting for the year ended 31 December 2015. This has resulted from a deterioration in the oil and gas market related to the decline in the oil price since the company was purchased in 2013, which has led to a reduction in forecast net future cash flows.

Goodwill relating to Quadro Design Limited was fully impaired during 2014.

7. Intangible Assets (continued)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and operating profit margins. The directors considered the financial performance of the acquired businesses in the year and have not identified any indicators of impairment.

The Group monitors its post-tax Weighted Average Cost of Capital and those of its competitors using market data. In considering the discount rates applying to CGUs, the Directors have considered the relative sizes, risks and the inter-dependencies of its CGUs. The impairment review currently uses a discount rate of 12.1% which is adjusted for pre-tax cash flows.

The Group prepares the cash flow forecasts derived from the most recent financial plan approved by the Board and extrapolates cash flows for the following three years based on forecast rates of growth or decline in revenue by the CGU. The growth rates used are based on internal forecasts of between a decline of 5.0% and growth rate of 0%. The long term growth rate used in the terminal value calculation is 2.25%. The operating profit margin for the CGU that is incorporated in the cash flow forecasts is derived from the most recent financial plan approved by the Board.

8. Trade and other receivables

	2015	2014
	£000	£000
Current assets:		
Trade receivables	7,187	4,269
Provision for impairment	(116)	(67)
Trade receivables – net	7,071	4,202
Amounts recoverable on contracts	208	728
Other receivables	19	16
Amounts owed by Group undertakings	-	-
VAT	1,129	-
Prepayments	553	528
	8,980	5,474

9. Current liabilities

	2015	2014
	£000	£000
Trade and other payables - current		
Payments received on account	5,342	2,845
Trade payables	639	484
Other taxation and social security	719	344
VAT	-	69
Deferred income	830	845
Accruals	3,159	2,196
	10,689	6,783
Bank borrowings	1,000	1,000
Other borrowings	34	9
Current tax liabilities	-	22
	11,723	7,814

10. Other non-current liabilities

	2015	2014
	£000	£000
Bank borrowings	6,750	7,750
Other borrowings	3	28
	6,753	7,778
Interest rate swap	141	203
Deferred income tax liabilities	2,657	1,683
	9,551	9,664

11. Called-up share capital

	2015	2014
	£000	£000
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	421	421
	Number	Number
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	42,062,035	42,062,035

The allotted, called-up and fully paid share capital of the Company as at 31 December 2015 was 42,062,035 shares (2014: 42,062,035). At the beginning of 2015, 4,725,420 of these shares were held by the Company as treasury shares.

During 2015 the Company issued 1,043,333 treasury shares as settlement of a liquidated sum of cash consideration as part of the purchase of Oakland Innovation Limited satisfied by the sale of treasury shares and 3,085,058 treasury shares transferred in the settlement of the exercise of share options. The Company also purchased 405,000 of its own shares. As a result, as at 31 December 2015, the total number of ordinary shares in issue (excluding treasury shares) was 41,060,006 (2014: 37,336,615) and the number of treasury shares held was 1,002,029 (2014: 4,725,420) equivalent to 2.4% of the Company's issued share capital. It is the intention of the Company to hold the treasury shares for the purpose of settling employee share schemes and for settling liquidated sums of cash consideration in any future business acquisitions, and in limited circumstances to satisfy investor demand which market liquidity is unable to meet. No dividend or other distribution may be made to the Company in respect of the treasury shares.

During 2015, 2,500,000 treasury shares were issued at a price of 40.0 pence per share in settlement of the exercise of share options by Martyn Ratcliffe, Chairman of Science Group plc. These share options were specifically approved by independent shareholders in relation to Mr Ratcliffe's 2010 investment. Mr Ratcliffe had held these options for over five years and exercised them in order to provide liquidity in the Company's shares to satisfy demand from independent institutional shareholders. The exercise used the cashless exercise mechanism approved by shareholders at the AGM in 2013, with 1,600,000 shares sold in the market to fund the option price and partially satisfy tax obligations arising from this option exercise. The remaining 900,000 shares have been retained by Mr Ratcliffe. As a result, Mr Ratcliffe's shareholding as a percentage of the total issued share capital remains similar to that prior to this option exercise and the net cash effect is that Mr Ratcliffe made a further investment of approximately £100,000 in the Company. At 31 December 2015, Mr Ratcliffe has no other share options in the Company.

12. Borrowings

	2015	2014
	£000	£000
Non-current		
Bank borrowings	6,750	7,750
Other borrowings	3	28
	6,753	7,778
Current		
Bank borrowings	1,000	1,000
Other borrowings	34	9
	1,034	1,009
Total borrowings	7,787	8,787

At 31 December 2015, the Group had a five year loan facility of £10.0 million on which interest is payable based on LIBOR plus 2.00% margin. The loan is secured on the Harston freehold property and associated lease structure and, subject to a minimum cash balance of £2.0 million, it is not subject to covenants related to the operating performance of the Consultancy business.

At 31 December 2015, £7,750,000 (2014: £8,750,000) is outstanding and is repayable by Sagentia Ltd to Lloyds.

13. Acquisitions

a) Acquisition of Oakland Innovation Limited

On 18 February 2015, the Group acquired 100% of the share capital of Oakland Innovation Limited, a consultancy specialising in technology innovation and market intelligence for the global consumer and healthcare markets. The acquisition is expected to enable the Group to accelerate its development in this identified growth and investment area.

The consideration of £5.0 million was satisfied as to £3.6 million in cash on completion and as to £1.4 million satisfied by the sale of Science Group plc's treasury shares, equivalent to 1,043,333 Science Group shares at the average closing mid-market price of 130.7 pence on the five dealing days immediately prior to completion. The shares are subject to lock-in periods of between 18 months and three years after the acquisition date. At completion, Oakland Innovation Limited held £0.7 million of cash on its balance sheet. Acquisition expenses of £25,000 were expensed in the period.

	Book value	Fair value
	£000	£000
Net assets acquired:		
Acquisition related intangible assets	-	3,040
Property, plant and equipment	32	32
Trade and other receivables	768	768
Cash and cash equivalents	673	673
Trade and other payables	(751)	(751)
Current tax liability	(178)	(178)
Deferred tax liability	(7)	(615)
	537	2,969
Goodwill		2,031
Total consideration		5,000
Satisfied by:		
Cash consideration		3,636
Shares in Science Group plc		1,364
		5,000
Net cash outflow arising on acquisition:		
Cash consideration		2,963

13. Acquisitions (continued)

a) Acquisition of Oakland Innovation Limited (continued)

The goodwill arising is attributable to the acquired workforce, anticipated future profit from expansion opportunities and synergies of the businesses. Fair value adjustments have been recognised for acquisition related intangible assets and related deferred tax.

Acquisition related intangible assets of £3.0 million relate solely to the valuation of customer relationships. Oakland Innovation Limited has worked with a number of blue-chip companies for a number of years. Given the long standing relationships and nature of the customer base, the intangible asset is being amortised over eight years.

A deferred tax liability of £0.6 million in respect of the acquisition related intangible assets was established on acquisition (refer to note 4). None of the goodwill is expected to be deductible for income tax purposes.

Oakland Innovation Limited contributed £3.1 million revenue for the period between the date of acquisition and the balance sheet date and £0.3 million to the Group's profit before tax which includes an allocation of central costs and management recharges of £0.1 million. If the acquisition of Oakland Innovation Limited had been completed on the first day of the financial year, Group Revenue would have been £477,000 higher and group profit attributable to equity holders of the parent would have been £107,000 higher.

b) Acquisition of Business and Assets of Leatherhead Food International Limited

On 16 September 2015, a subsidiary of Science Group plc acquired the business and assets, excluding the freehold property, of Leatherhead Food International Limited ('Leatherhead'), a technical consultancy providing scientific research, regulatory advice, consumer sensory, testing and other services to the food and beverage industry.

The consideration of £1.6 million was satisfied in cash at completion and the acquisition of Leatherhead was completed cash free and debt free. Acquisition expenses of £62,000 were expensed in the period.

	Book value £000	Fair value £000
Net assets/(liabilities) acquired:		
Acquisition related intangible assets	-	1,687
Property, plant and equipment	220	220
Trade and other receivables	1,327	1,327
Trade and other payables	(1,860)	(1,859)
Current tax liability	(62)	(62)
Deferred tax liability	-	(338)
	(375)	975
Goodwill		650
Total consideration		1,625
Satisfied by:		
Cash consideration		1,625
		1,625
Net cash outflow arising on acquisition:		
Cash consideration		1,625

The goodwill arising is attributable to the acquired workforce, anticipated future profit from expansion opportunities and synergies of the businesses. Fair value adjustments have been recognised for acquisition related intangible assets and the associated deferred tax.

Acquisition related intangible assets of £1.7 million relate solely to the valuation of customer relationships. Leatherhead has worked with a number of well-known companies in the food and beverage industry for a number of years. Given the long standing relationships and nature of the customer base, the intangible asset is being amortised over seven years.

13. Acquisitions (continued)

b) Acquisition of Business and Assets of Leatherhead Food International Limited (continued)

A deferred tax liability of £0.3 million in respect of the acquisition related intangible assets was established on acquisition (refer to note 4). None of the goodwill is expected to be deductible for income tax purposes.

Leatherhead contributed £2.1 million revenue for the period between the date of acquisition and the balance sheet date and a loss of £1.2 million to the Group's profit before tax which includes an allocation of central costs and management recharges of £0.3 million and other non-recurring costs of £0.5 million. If the acquisition of business and assets of Leatherhead had been completed on the first day of the financial year, Group Revenue would have been £6.4 million higher and group profit attributable to equity holders of the parent would have been £0.5 million lower.

14. Post balance sheet events

There are no post balance sheet events to disclose.

15. Statement by the directors

Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRSs') as adopted by the European Union and as issued by the International Accounting Standards Board, this announcement does not itself contain sufficient information to comply with IFRSs. The accounting policies adopted in this preliminary announcement are consistent with the Annual Report for the year ended 31 December 2015.

The financial information set out above, which was approved by the Board on 2 March 2016, is derived from the full Group accounts for the year ended 31 December 2015 and does not constitute the statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group accounts on which the auditors have given an unqualified report, which does not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts for 2015, will be delivered to the Registrar of Companies in due course.

The Board of Science Group approved the release of this preliminary announcement on 2 March 2016.

The Annual Report for the year ended 31 December 2015 will be posted to shareholders in due course and will be delivered to the Registrar of Companies following the Annual General Meeting of the Company. The report will also be available on the investor relations page of the Group's website.

Further copies will be available on request and free of charge from the Company Secretary.

- Ends -