



ANNUAL REPORT AND FINANCIAL STATEMENTS

2021

science group plc

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Another record performance delivering substantial profit growth

Science Group is an international science, technology and consulting organisation. The Group comprises three divisions: R&D Consultancy; Regulatory & Compliance; and Frontier Smart Technologies, together with significant freehold property assets and a strategic shareholding in TP Group plc. Notwithstanding the global pandemic and supply chain constraints, Science Group has delivered another record performance with growth reported in all three divisions and a substantial increase in Group profitability.



FINANCIAL HIGHLIGHTS

Revenue

+10%
£81.2m

Adjusted Operating Profit

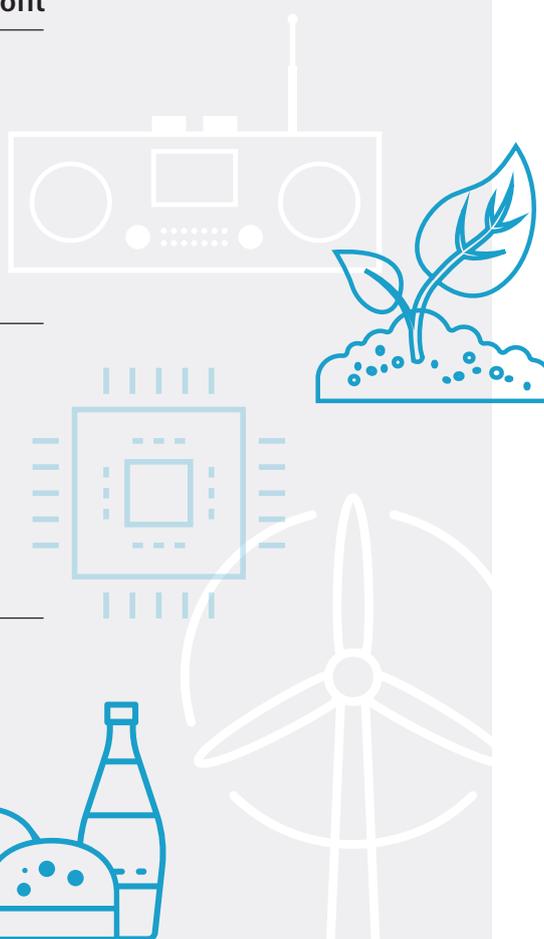
+49%
£16.3m

Adjusted EPS

+47%
28.5p

Proposed Dividend

+25%
5.0p



Acquisition of Oakland Innovation and Leatherhead Food Research.

Name change to Science Group plc



2015

2017



Acquisition of TSG Consulting in Europe and US

Acquisition of Frontier Smart Technologies



2019

2021



Investment in TP Group, acquisition of Magic Systech and royalty buy-out in Frontier division



Statement of Executive Chair

Science Group is an international science, technology and consulting organisation. The Group comprises three divisions: R&D Consultancy; Regulatory & Compliance; and Frontier Smart Technologies ('Frontier'), together with significant freehold property assets and a strategic shareholding in TP Group plc.

Notwithstanding the global pandemic and supply chain constraints, Science Group has delivered another record performance with growth reported in all three divisions and a substantial increase in Group profitability. As a result, Science Group has continued its track record of delivering value to shareholders whilst investing in the long-term sustainability of the business and sharing the rewards of success with the Group's employees. This successful execution of both corporate and operating strategies provides an excellent platform for the future of Science Group.

Statement of Executive Chair (continued)

Financial Summary

For the year ended 31 December 2021, Science Group reported revenue of £81.2 million (2020: £73.7 million). This growth, combined with benefits derived from the greater scale of the Group, converted into an adjusted operating profit increase of 49% to £16.3 million (2020: £10.9 million). Adjusted operating profit has more than doubled over the past 2 years. Adjusted basic earnings per share increased by 47% to 28.5 pence (2020: 19.4 pence), reflecting the Board's focus on translating its strategy into shareholder value.

Amortisation of acquisition related intangibles and the share based payment charge totalled £3.6 million (2020: £3.7 million) and the Group's share of the estimated loss in TP Group was £1.1 million (2020: not applicable). As a result, the Group reported an operating profit of £11.6 million for the year (2020: £7.1 million) and profit before tax of £10.9 million (2020: £6.4 million). Basic earnings per share was 22.4 pence (2020: 16.9 pence).

Science Group continues to benefit from good cash conversion and a strong balance sheet. At 31 December 2021, Group cash was £34.3 million (2020: £27.1 million) and net funds were £19.0 million (2020: £10.6 million). The Group's term loan, which expires in 2026, was £15.4 million (2020: £16.6 million). In addition to the term loan, in December 2021 the Group also agreed a new £25.0 million Revolving Credit Facility with its bank, which to date has not been drawn. As a result, the Group has significant existing cash resources and available facilities to continue its strategy.

R&D Consultancy

The R&D Consultancy division, operating under a unified brand, provides science-led advisory and product/technology development services. The division combines science and engineering capabilities with expertise in key vertical sectors, namely: Medical; Consumer; Food & Beverage; and Industrial, Chemicals & Energy.

For the year ended 31 December 2021, the R&D Consultancy division generated revenue of £34.3 million (2020: £32.2 million). The Medical sector continued to perform well in 2021, reporting organic growth against a strong prior year comparator. The other sectors had a slower start to the year but saw some recovery in the second half as the effects of the pandemic eased.

The unification of the division under the single brand Sagentia Innovation has enabled these businesses to offer an integrated set of services to clients. This has presented cross-selling opportunities to the division and also attracted clients who recognise the value of the extended service offering, combining strategic advisory services, leading edge scientific consulting and product/technology development for physical and digital solutions.

Regulatory & Compliance

The Regulatory & Compliance division provides scientific and regulatory advice together with registration and compliance services for the Chemicals and Food & Beverage sectors, both of which operate internationally in regulated markets. The division comprises the North American and European operations of TSG, acquired in 2017, together with Leatherhead Food Research, acquired in 2015. The scale of each of the three business areas is broadly similar.

For the year ended 31 December 2021, the Regulatory & Compliance division generated revenue of £21.4 million (2020: £20.1 million). Of this revenue around 25% is of a recurring nature, primarily within the Food & Beverage sector and the USA registration renewals activities.

The division made good progress in its strategic development during 2021 as the increased scale and reputation is now attracting larger opportunities. To support this growth, the division invested in a new finance system which is now live across all three business areas, replacing three different legacy systems with a common platform. The TSG America state regulatory business also successfully launched a new rules-based system to improve the efficiency of the registration renewals operations.

Frontier Smart Technologies

Frontier Smart Technologies ('Frontier') is the market leader in DAB/DAB+/SmartRadio technology chips and modules. Formerly an AIM-listed, Cayman-domiciled company, Frontier was acquired by Science Group in 2019.

Following the successful turnaround and integration during 2020, in January 2021 the Board initiated a review of the future strategy for Frontier. This wide-ranging review confirmed the strategic leadership position of Frontier and identified a number of opportunities to enhance and develop the business. Consequently, effective 1 July 2021, an agreement was reached to buy out future royalties associated with the use of licensed technology for the sum of \$6.0 million (£4.3 million). (For the year ended 31 December 2020, Frontier paid royalties of \$1.0 million in relation to licensing this technology.)

In progressing the post-review Frontier strategy, the Group also completed the acquisition of Magic Systech Inc ('Magic'), for \$4.0 million (£3.0 million). Magic is a Taiwan-based company which specialises in internet radio technology and the acquisition enhances the Frontier proposition including a lower production cost architecture. Magic is now being integrated into Frontier.

The Frontier division had a strong year in 2021 reporting 21% growth in revenue to £24.9 million (2020: £20.5 million) and an adjusted operating profit margin of 21% (2020: 16%), producing a 59% increase in adjusted operating profit. This success was achieved despite the global semiconductor and other supply chain constraints.

Statement of Executive Chair (continued)

Freehold Properties

Science Group owns two freehold properties, Harston Mill near Cambridge and Great Burgh in Epsom. The last independent valuation in March 2021 indicated an aggregate value of these properties in the range £21.0 million to £35.0 million. The properties are held on the balance sheet on a cost basis at £21.0 million (2020: £21.2 million).

Great Burgh is owned by a property subsidiary of Science Group plc and it has been the Board's declared intent to adopt the same approach for the Harston Mill property, which for historic reasons was held within the operating subsidiary. In 2021, this legacy was addressed resulting in a tax payment outflow of approximately £1.8 million.

For the year ended 31 December 2021, the rental and associated services income derived from the Group's freehold properties was £3.6 million (2020: £4.0 million), of which £0.6 million (2020: £0.8 million) was generated from third-party tenants. Intra-group charges are eliminated on Group consolidation, but the reported segmental profit of the operating divisions includes property rental at market rates.

Corporate

The corporate function is responsible for the strategic development of Science Group. Corporate costs increased in the period to £4.4 million (2020: £2.5 million), reflecting the significant activity in the year and the Group's share in the estimated loss of TP Group ('TPG') which is reported as a corporate cost in segmental reporting.

In addition to the Frontier royalty buy-out and acquisition of Magic, in August the Group made a strategic investment in TPG through a stake-building exercise. TPG is a provider of consulting services and engineering products to the defence and aerospace sectors where Science Group has little presence. Science Group tried to engage with TPG but all approaches were rejected, including a possible offer for TPG which was withdrawn on 3 September 2021. At 31 December 2021, Science Group was the largest shareholder in TPG owning 28.0% at a total cost of £12.8 million.

The Group is actively managing the TPG investment and in October 2021 secured 2 seats on the TPG Board including, from 1 November 2021, the role of Executive Chair. The TPG strategy was redefined to focus on core UK-based operations and this strategy is now being executed by the TPG Board. To address cash flow volatility, and potential going concern risks (as reported by TPG in the 2020 Annual Report), in December 2021 Science Group extended a standby credit facility of up to £5.0 million to TPG. For accounting purposes, TPG was held as a financial investment until 13 October 2021 and was equity accounted thereafter.

For the first time since 2010, to continue its strategic development, Science Group undertook an equity fundraising. Net proceeds of £17.8 million were raised through the successful placing of new Ordinary Shares with existing and new institutional investors.

With the continued success and growth of the Group, the Board is recommending increasing the dividend by 25% to 5.0 pence per share (2020: 4.0 pence per share). Subject to shareholder approval at the Annual General Meeting ('AGM'), the dividend will be payable on 17 June 2022 to shareholders on the register at the close of business on 20 May 2022.

During the year, the Company repurchased 149,000 shares at a total cost of £0.6 million at an average price of 379.0 pence per share (2020: 715,000 shares at a cost of £1.7 million). At 31 December 2021, shares in issue (excluding treasury shares held of 0.5 million) were 45.7 million (2020: 41.2 million excluding treasury shares held of 0.8 million).

Environmental, Social & Governance

The Group takes its responsibilities to the environment and to the community seriously. In 2021 the Group commenced assessment of Greenhouse Gas ('GHG') emissions across its businesses with a view to planning for NetZero. Electricity in the Group's major sites is already derived from renewable sources, as far as practicable, and electric vehicle charging points have been installed at the Group's freehold properties. Waste management remains a major focus with policies to ensure reduction, reuse, and recycling as appropriate.

In parallel with its own actions, Science Group is actively engaged in working with clients on sustainability programmes. Furthermore, in 2021, the Group launched a CTO (Chief Technology Officer) Forum to bring together senior R&D executives from leading international corporates engaged on creating actionable strategies for NetZero. The initiative draws on the combination of science, advisory and regulatory expertise within Science Group to provide a differentiated insight into the environmental and sustainability challenges of global organisations.

Science Group has a diverse employee base, representing over 30 nationalities, and actively promotes the values of diversity and inclusion. Employee development and training, at all levels, is very important, and the Group is especially mindful of the development of more junior employees during enforced remote working as a result of the pandemic. The Group is also aware of its position in society particularly the impact of the pandemic upon local communities and has therefore increased its charitable donations in the last two years, supporting charities (primarily foodbanks), close to the Group's offices around the world.

The Board of Science Group is well balanced between Executive and independent Non-Executive Directors ('NED') ensuring objectivity in decision-making. The Group is led by the Executive Chair, who also remains the Group's largest shareholder, driving the corporate strategy, with a Group Managing Director who runs day to day operations. The Board believes in strong, independent NEDs and, as part of succession planning, takes into consideration Board diversity. Both the Remuneration and Audit committees are composed of 100% independent Directors. The Group's formal and effective governance model is reinforced by an open, transparent culture with NEDs having unconstrained access to any and all employees throughout the Group.

Statement of Executive Chair (continued)

Covid-19, Inflation and Geopolitical Factors

The Group has adapted to operating under the constraints resulting from the Covid-19 pandemic. The primary focus has been to protect employees and to promote their physical and mental wellbeing. Operationally, there has been a mix of home, office and lab-based working, adhering to Government policy in each country, whilst successfully delivering products and services for clients.

The Frontier division also suffered from supply-chain issues associated with the global semiconductor and other component shortages but managed the situation well, benefitting from good relations with suppliers and the Group's strong financial position. While the recent Covid-19 restrictions in Shenzhen and Hong Kong may have a short-term impact on product shipments and 2022 is likely to continue to be constrained by component supply, the Board anticipates that the Frontier team will again be able to manage through the operational challenges and maintain its market leading position.

The Science Group Board monitors economic and other external factors. The potential inflationary pressures on employment costs were recognised early and where possible client contracts have been amended to facilitate fee rate increases within the Services divisions as appropriate. Similarly, the product supply-side inflation has been mitigated by passing cost increases onto the distribution channel. The recent geopolitical instability could further impact the global economic environment with the near-term effects anticipated to be:

- An increase in inflationary pressures, particularly energy costs which even prior to recent events were projected to more than double in 2022 compared with 2021.
- A slowing of European investment and economic growth, which at the present time the Board considers will have only a limited impact on the Group.
- Strengthening of the US Dollar, which has a net positive effect on Science Group due to the proportion of revenue generated in US Dollars with a primary cost base in Sterling.

At the present time, the Board considers that in aggregate the net effect of the above on Science Group operations is broadly neutral, with the benefits of the strong US Dollar offsetting the other external factors.

Summary and Outlook

In summary, Science Group has reported another year of excellent results with all three divisions performing well, leading to the Board upgrading Group profit forecasts several times. The outstanding performance over the past two years, during a global pandemic, is due to the commitment and dedication of the Group's operating managers and employees.

Recent years have also seen an acceleration in the corporate development of Science Group, most recently evidenced by the strategic investment in TP Group plc. Although there can be no certainty that any transactions will satisfy the Board's evaluation criteria and diligence process, the Group's significant cash resources further enhanced by the new credit facility, enable the Board to explore both add-on acquisitions and larger opportunities to increase the scale of Science Group.

While inflation, geopolitical instability and potential further disruption from the pandemic are being closely monitored, Science Group's strategy and operational execution have demonstrated resilience. The Group's strong balance sheet provides both a solid foundation for the existing operations and the potential to pursue growth opportunities should they arise. As a result, Science Group is well positioned for the year ahead.

Martyn Ratcliffe
Executive Chair

Finance Director's Report

Overview of Results

In the year ended 31 December 2021, the Group generated revenue of £81.2 million (2020: £73.7 million). Revenue from the services operating businesses, that is revenue derived from consultancy services and materials recharged on these projects, increased to £55.7 million (2020: £52.3 million) while product revenue generated by Frontier increased to £24.9 million (2020: £20.5 million). Revenue generated by freehold properties, comprising property and associated services income derived from space let to third parties in the Harston Mill facility, was £0.6 million (2020: £0.8 million).

Adjusted operating profit for the Group increased to £16.3 million (2020: £10.9 million). The Group's statutory operating profit of £11.6 million (2020: £7.1 million) includes the amortisation of acquisition related intangible assets (£2.9 million), share based payment charges (£0.7 million) and a share of the estimated loss of associate investment, TP Group plc, of £1.1 million. The statutory profit before tax was £10.9 million (2020: £6.4 million) and statutory profit after tax was £9.6 million (2020: £7.0 million). Statutory basic earnings per share ('EPS') was 22.4 pence (2020: 16.9 pence per share).

Adjusted operating profit is an alternative profit measure that is calculated as operating profit excluding amortisation of acquisition related intangible assets, acquisition integration costs, share based payment charges and other specified items that meet the criteria to be adjusted. Refer to the Notes to the financial statements for further information on this and other alternative performance measures.

TP Group plc

The Group commenced on-market purchases of shares in TP Group plc ('TPG') in August 2021, increasing its holding to 28.0% at 31 December 2021.

Prior to 13 October 2021, the Group accounted for the TPG shareholding as a financial investment, recognised at fair value on the balance sheet. On 13 October 2021, when two Science Group plc Directors were appointed to the Board of TPG, the Group started to account for its holding in TPG as an associate under the equity accounting method.

TPG has not released its results for the period ended 31 December 2021. A loss after tax of £1.1 million has been included within the Science Group Income Statement, which is an estimate based on TPG reported information and public statements, proportionate to the Group's 28% shareholding and the duration for which TPG was accounted as an associate.

In December 2021, the Group made available a standby revolving credit facility to TPG. The facility is for a maximum of £5.0 million for the period from the date of signing until 30 September 2023. The facility, which incurs an interest rate of 1% per month on sums drawn or 0.4% per month on undrawn amounts, remained undrawn at 31 December 2021.

Foreign Exchange

A considerable proportion of the Group's revenue is denominated in currencies other than Sterling. Changes in exchange rates can have a significant influence on the Group's financial performance. In 2021, £50.2 million of the Group's operating business revenue was denominated in US Dollars (2020: £41.8 million), including all of Frontier's revenue. In addition, £3.1 million of the Group operating business revenue was denominated in Euros (2020: £3.6 million). The average exchange rate during 2021 was 1.37 for US Dollars and 1.16 for Euros (2020: 1.29 and 1.13 respectively). To date, the Group has opted not to utilise foreign exchange hedging instruments but keeps this under review.

Taxation

The tax charge for the year was £1.4 million (2020: tax credit of £0.6 million). The underlying tax charge on the profits generated by the operating businesses has been partially offset through brought forward Frontier losses and a Research and Development tax credit of £0.3 million (2020: £0.2 million). Science Group recognises R&D tax credits within tax reporting, not as a credit against operating costs.

As planned, the Harston Mill property was transferred within the Group from trading company, Sagentia Limited, to Quadro Harston Limited. This resulted in a tax payment outflow in 2021 of £1.8 million. There was a matching deferred tax liability release, leaving the transaction tax neutral in the Income Statement.

At 31 December 2021, Science Group had £27.8 million (2020: £31.7 million) of tax losses of which £17.6 million (2020: £21.4 million) related to trading losses in Frontier. Of the Frontier losses, £10.0 million (2020: £5.3 million) is recognised as a deferred tax asset which is anticipated to be used to offset future taxable profits. The balance of £7.6 million (2020: £16.1 million) has not been recognised as a deferred tax asset due to the uncertainty in the timing or feasibility of utilisation of these losses. Aside from Frontier, the Group has other tax losses of £10.2 million (2020: £10.3 million) unrecognised as a deferred tax asset due to the low probability that these losses will be able to be utilised.

Financing and Cash

Cash flow from operating activities (excluding Client Registration Funds) was £13.2 million (2020: £17.2 million). Reported cash from operating activities in accordance with IFRS was £14.0 million (2020: £17.7 million). The difference in these two metrics relates to the fact that TSG, particularly in the USA, processes regulatory registration payments on behalf of clients. The alternative performance measure, adjusting for Client Registration Funds, more accurately reflect the Group's cash position and cash flow.

Finance Director's Report (continued)

Financing and Cash (continued)

The Group's term loan with Lloyds Bank plc, secured on the Group's freehold properties, is a 10 year fixed term loan expiring in 2026. Phased interest rate swaps hedge the loan resulting in a fixed effective interest rate of 3.5%, comprising a margin over 3 month London Interbank Offered Rate ('LIBOR'), the cost of the loan arrangement fee and the cost of the swap instruments. The Group has adopted hedge accounting for the interest rate swap related to the bank loan under IFRS 9, Financial Instruments, and the gain on change in fair value of the interest rate swaps was £763,000 (2020: loss of £519,000) which was recognised in Other Comprehensive Income.

With LIBOR ceasing to be used as an interest rate benchmark at the end of 2021, the Group transitioned the term loan and the respective swap instruments to use the Sterling Overnight Index Average ('SONIA') as an appropriate alternative. The transition was agreed during the year and will be effective from March 2022. The hedged position on the loan remains and there is no change to the effective fixed interest rate of 3.5%.

In December 2021, in addition to the term loan, the Group signed a new £25.0 million revolving credit facility ('RCF') with Lloyds Bank plc in order to provide additional capital resources to enable the execution of the Group's acquisition strategy. The RCF is for up to £25.0 million, with an additional £5.0 million accordion option, for a term of four years with a one year extension. The margin on drawn sums is 3.3% over SONIA and is 1.1% per annum on undrawn amounts. Drawn amounts are secured on the Group's assets by debentures. At 31 December 2021, the RCF remained undrawn.

The RCF has two financial covenants with which the Group needs to comply if the facility is drawn: (i) the Group's net leverage, as defined as the net debt divided by the rolling 12 month EBITDA, should not exceed 2.5; and (ii) the Group's interest cover, as defined as the rolling 12 month EBITDA divided by the rolling interest payments on all borrowings, should not be less than 4.0. Reporting is on a 6 monthly basis unless the net leverage exceeds 2, in which case reporting moves to quarterly until net leverage returns to below 2 again. For the term of the RCF, the previous covenants for the term loan are superseded by the covenants of the RCF and will not apply.

The Group cash balance (excluding Client Registration Funds) at 31 December 2021 was £34.3 million (2020: £27.1 million) and net funds were £19.0 million (2020: net funds of £10.6 million). Client Registration Funds of £2.9 million (2020: £2.0 million) were held at the year end. Working capital management during the year continued to be a focus with debtor days of 31 days at 31 December 2021 (2020: 31 days). A higher level of inventory was held at the year end to mitigate uncertainty in forward supply, resulting in inventory days increasing to 76 days at 31 December 2021 (2020: 43 days).

Share Capital

At 31 December 2021, the Company had 45,720,276 ordinary shares in issue (2020: 41,238,392) and the Company held an additional 465,598 shares in treasury (2020: 823,643). The increase in shares in issue is primarily related to a 10% share placement (4,123,839 shares) completed in September 2021. Of the ordinary shares in issue, 104,400 (2020: 104,400) shares are held by the Frontier Employee Benefit Trust. The voting rights in the Company at 31 December 2021 are 45,615,876 (2020: 41,133,992). In this report, all references to measures relative to the number of shares in issue exclude shares held in treasury unless explicitly stated to the contrary.

Jon Brett

Finance Director

Key Performance Indicators

The key performance indicators ('KPIs') are revenue, operating profit, cash flow and the alternative performance measures as disclosed in Note 1 in the Notes to the Financial Statements. Profitability of the business is managed primarily via the review of revenue and adjusted operating profit. (Secondary measures of revenue per head, billed hours, daily fee rates, average selling and cost prices, and units sold are used internally but are not disclosed due to commercial implications.) Working capital is reviewed via measures of trade receivables and inventory. Performance against KPIs is reported in the Finance Director's Report.

Principal Opportunities and Risks

The Directors consider that the principal opportunities and risks facing the Group are as set out below. The Board has carried out a robust assessment of the emerging and principal risks, including those that would threaten the sustainability of its business model, its future performance, solvency or liquidity.

In addition, the Board regularly reviews existing and emerging risks across the Group on a monthly basis. The Board considers this period to be appropriate for the business as it allows the Board to remain informed of developments that may affect the delivery of its strategy and to identify and implement any mitigating actions. It also supports the Board's review and revision of forecasting, undertaken on at least a quarterly basis, to minimise the impact of any emerging risks on the Group. The Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a monthly period. A summary of the key measures taken to mitigate the principal risks facing the Company are set out below.

The Group uses internal and external methods to help identify emerging business risks. Internally the Divisional Managing Directors of the operating divisions report weekly to the Executive Directors on business performance and issues, and provide formal reports to the full Board on a monthly basis. This ensures that potential emerging risks identified on-the-ground are escalated to the Board in a timely manner. Externally, the Group's professional advisors raise relevant potential issues from time to time. Identified potential risks are discussed by the Board and, if necessary, risk mitigation strategies are considered. It is also common for identified risks to be assigned to a working party to keep a watching brief and update the Board as appropriate.

Covid-19

The Covid-19 pandemic has provided both risks and opportunities for Science Group.

Risks include the potential for an adverse impact on the Group's ability to undertake its usual business operations. The Group has sought to mitigate this risk by adapting its ways of working and investing in additional software and communications tools. In 2021 the Group operated through a combination of remote working and laboratory or other essential site-based working in Covid-19 secure premises.

Another risk is the potential that demand for the Group's services will reduce as a result of a negative impact on its customers' financial circumstances. Conversely, opportunities may be created by increased demand for some of the Group's services from customers responding to needs arising from the Covid-19 pandemic.

The portfolio nature of the Group mitigates the potential risks and leaves the Group well placed to respond to both the risks and opportunities. In the R&D Consultancy division in 2021, the Medical sector saw increased demand for its services as a result of the increased investment in R&D in this market. Conversely the Consumer and Food & Beverage sectors continued to feel the effects of the economic impact of the pandemic, recovering later in the year. The regulatory businesses all reported steady growth in the year, although the number of projects related to newly regulated Covid-specific products declined in 2021 compared to 2020.

The Frontier division continued to see high demand for its products through 2021, and the principal associated risk is now component supply (see the section headed Supply chain risk below). Nevertheless the Group continues to mitigate the risk of a fall in product demand through the close management of its supply chain and inventory in order to avoid excess product in the channel.

Technology advances

The ongoing development of new and existing technologies provides opportunities for Science Group to provide market-leading products and services to its clients. The Group's personnel must stay at the forefront of technical advances and understanding of technical specialisms in order to exploit these opportunities and sustain the Group's growth.

The Group seeks to do this by the regular identification and review by management of new technical areas for investment; providing a budget for investment by managers in new ideas; encouraging employees to keep up to date on technological developments by both formal and informal training and self-learning in relevant areas of technical expertise; and recruiting employees with new technical skills where gaps in expertise are identified.

Market for outsourced services

The R&D Consultancy division of Science Group is dependent on the global market for outsourced science, technology and engineering based services. This provides both opportunities and risks, depending on the performance of and confidence in the Group's target geographies and markets. An economic downturn or instability may cause clients to delay or cancel projects and/or related services, or to use internal resources to achieve their business goals. Conversely, a reduction in internal resources by clients may result in greater levels of outsourcing for business critical projects.

Principal Opportunities and Risks (continued)

Market for outsourced services (continued)

The Group seeks to capitalise on these opportunities and mitigate these risks by diversifying exposure across geographical markets; increasing the number of market sectors in which the Group operates; diversifying the type of customers with whom the Group operates (ranging from well-funded start-up companies to large multi-national corporates); increasing the range of service offerings that the Group provides; and marketing activities to inform current and prospective clients regarding the benefits of outsourced research and development services and Science Group's proven ability to fulfil those objectives.

Market for radio products

The Frontier division of Science Group has a high market share of the DAB/DAB+ radio market and is therefore subject to the market demand and the competitive environment. These factors are correspondingly affected by the economic climate and alternative methods of receiving radio/audio programmes. The acquisition of Magic Systech Inc in November 2021 may increase the resilience of the Frontier division's market share.

Frontier supplies branded products through intermediate factories which are mainly based in China and Frontier's reputation may be damaged if quality were to decline. These factories may also be impacted by local and global developments, which in 2021 included the Covid-19 outbreak. Import tariff changes may also impact the cost of radio production and thereby the selling price to the end consumer, which may affect demand and/or the margins of the business. Furthermore, the business undertakes trade with its main customers in US Dollars and volatility in foreign exchange rates may result in significant changes to the cost of the products and the margins made by Frontier.

The Group seeks to mitigate these risks by actively monitoring market developments and adjusting material purchases accordingly. The Group also has employees based in Shenzhen, Hong Kong and Taiwan to manage relationships with customers and manufacturing locations.

Supply chain risk

The Frontier division relies on the supply of components for the manufacture of its products. The inability to source these components in sufficient quantities is a risk to Frontier's ability to fulfil customer orders. This was evidenced in late 2020 when demand for semiconductors started to exceed supply, a situation that has continued and worsened in 2021. Such industry-wide shortages can lead to price increases.

The Group may be able to mitigate the impact of this supply constraint through Frontier's long-standing relationships with suppliers and making longer term forward commitments. Frontier may or may not be able to pass on supply chain price increases to its customers.

Geopolitical considerations

In addition to its engineering base in Harston, UK, the Frontier division of Science Group is located in Shenzhen (China), Hong Kong and Taiwan. The Asian offices fulfil sales, product

development and manufacturing of Frontier products. Regional political uncertainties may impact the normal business operations of Frontier in these territories.

The Group seeks to mitigate the risk of interruption to usual business activity by ensuring product knowledge and documentation is mirrored in the UK offices. Manufacturing of Frontier products is outsourced in Shenzhen and could be replicated in other locations.

Inflationary pressures

Increasing inflation in the global economy is a risk across the Group. This continues to impact the Frontier division in the increase in cost for components and therefore the increased average cost price of its products. Frontier may or may not be able to pass on supply chain price increases to its customers.

Wage inflation is also a risk within the Group with increasing pressure on salary and remuneration packages for both specialist skills in technology and science as well as more generalist skills such as HR, marketing and finance. Higher employee costs may or may not be able to be passed onto customers.

Dependence on key personnel

Science Group's business relies on recruiting and retaining highly qualified technical experts on whom the business depends to deliver its services and products. Failure to recruit and retain key staff could threaten the business' ability to deliver projects to its clients or to win new work or to maintain market competitiveness.

The Group's expansion also places greater demands on the Group's management and infrastructure, across a wider range of geographical locations and markets. Failure to recruit and retain key management and functional staff could increase the risks associated with operational and financial controls; sales and marketing; information technology and other functional support areas.

The Group seeks to mitigate this risk by encouraging staff retention through both competitive remuneration packages and a stimulating work environment. In addition to base salary, remuneration can include profit share/annual bonus, pension, health benefits, life assurance and share option schemes. The remuneration components are reviewed regularly.

Efforts are made to foster a vibrant, dynamic and supportive environment for employees, which offers a diversity of technically challenging work for large and small customers across a range of industries and specialist market, science & technology areas. The Group also provides career development paths and training support.

Reputational risk

Failure to deliver service or product deliverables to agreed budgets, timetables and/or quality may result in reputational damage to Science Group that may adversely affect future sales.

Principal Opportunities and Risks (continued)

Reputational risk (continued)

In the Group's services businesses, this risk is mitigated by having in place effective Quality Assurance procedures; review meetings with clients; formal customer feedback procedures; and various accreditations held by certain parts of the Group including ISO 9001 and ISO 13485.

In the Group's product businesses, this risk is mitigated by extensive testing prior to release of new products and remedial action being taken in a timely manner when faults are reported.

Economic conditions or other factors affecting the financial circumstances of customers

The profitability of the Group could be adversely affected by the general economic conditions in the United Kingdom, Continental Europe, United States, Asia and/or other key markets by virtue of the impact of a deterioration in the economic climate and/or financial failure of customers or potential customers of the Group. It may also involve customers defaulting on the payment of invoices issued by the Group or delaying payment of invoices which may have a significant impact on the income and the business of the Group.

The Group seeks to mitigate this risk by actively managing customer relationships including credit limits which, if appropriate, may require payment in advance; regular reviews of debtors and overdue payments; and proactive credit control procedures.

Services projects over-run or fail to meet technical milestones

Projects may over-run and/or may fail to meet technical milestones because the nature of the work which the Group's services divisions undertake is technically challenging. Project over-runs can lead to loss of margin on projects and overall profitability for the consultancy business. Poor performance may also result in damage to Science Group's reputation.

The Group seeks to mitigate this risk by contracting the majority of projects on a time and materials basis; operating a formal bid review process; incorporating risk premiums into agreements if appropriate; conducting regular project reviews to assess whether the revenue recognised on work in progress is a fair representation of actual costs incurred and estimated costs to completion; conducting regular, formal project board review meetings for large projects; and meetings with clients to review progress on projects.

Currency exchange rates

A significant proportion of the Group's revenues are invoiced in currencies other than Pounds Sterling, including but not limited to the US Dollar and Euro, whilst the majority of the Group's employee-based costs are incurred in Pounds Sterling. Materials related to Frontier products are typically priced in US Dollars. As a result, variations in currency exchange rates may

have a material impact, either positive and negative, on Group revenue and profit performance.

The Group seeks to mitigate this risk by transferring all foreign currency holdings into Pounds Sterling on a regular basis. The Group regularly considers the merits of currency hedging but to date has determined that it would not be appropriate.

Investment in acquisitions

The Group has grown through the acquisition of companies with compatible service and technology offerings. The Board considers further acquisitions to be a core part of the Group's strategy and the Group is continually monitoring opportunities for strategic acquisition opportunities. Acquisitions provide potential for growth and diversification, whilst increased scale provides efficiencies of back office and central services across the Group.

Acquisitions can increase the risk profile of the Group; unknown liabilities may be identified post-acquisition; the revenue of the acquired business may decline; key staff may leave; and other unforeseeable problems may arise. The Group seeks to mitigate such risks by establishing an integration team at the time of the acquisition who are rapidly deployed to instil the Group's financial and operational controls into the acquired company as fast as practicable. While this team comprises experienced managers from within the Group, in every acquisition, unforeseen challenges arise and an evolving iterative integration process is required.

Additional considerations

In addition to the principal risks and uncertainties above, the Group faces other risks that include but are not limited to:

- increased competition;
- failure to retain, or loss of, customer contracts;
- customer concentration;
- technology leadership;
- product or other professional liability claims or other warranty and indemnity claims in respect of contractual obligations;
- infringement of third party intellectual property rights;
- failure of licensees to successfully exploit licensed technology;
- counterparty risk;
- risk of adverse valuation of freehold properties;
- changes in legislation or regulations relating to trading, taxation or accounting practice.

Viability Statement

In accordance with the UK Corporate Governance Code July 2018, the Board has determined that a one-year period from the date of signing these Financial Statements constitutes an appropriate period over which to provide its viability statement. The Board believes that this one-year period is appropriate given the dynamic environment and inherent uncertainties in technology businesses, and in the context of the Group's growth through acquisitions which are inherently unpredictable and vary considerably in scale. Whilst considering a one-year period to be appropriate for its viability statement, the Board notes that valuations of completed acquisitions are reviewed over a longer period. The Board also notes that it has longer term funding as set out in Note 23 and has cash and cash equivalents of £34.3 million as set out in Note 19 to support both prior and future acquisitions.

The Board prepares annually a detailed financial plan, forecasting sales and costs at a departmental level and a Group cash flow covering this period. The plan provides a prudent basis of assessment whilst enabling the Group to remain agile in implementing significant opportunities for further growth when they arise. Performance against the plan is reviewed on a monthly basis by the Board and forecasts are updated at least quarterly.

The Board has considered sensitivity analyses reflecting downside scenarios of some of the principal risks detailed above including the following:

Principal risk: Market for outsourced services – a downside may include the failure to sell services or the delay or cancellation of projects as a result of a global economic downturn affecting customers' ability or desire to purchase outsourced services.

Principal risk: Market for radio products – a downside may include the suspension of manufacturing capability in China as a result of Covid-19 or component supply constraints.

In each scenario or combination of scenarios above, the Group is able to rely on its cash reserves, reduce capital expenditure and take other cost and/or cash management measures to mitigate the impacts and still have residual capacity to absorb further unanticipated events.

The Board has also considered the effect of the banking covenants for this assessment period and noted that there is no expectation of covenant breach, particularly as the Group ends the year with net funds of £19.0 million (2020: £10.6 million).

Based on the results of these analyses, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the one-year period of their assessment.

Corporate Responsibility

Science Group takes its responsibilities as a corporate citizen seriously in the territories in which the Group operates. The Board's primary goal is to create shareholder value but in a responsible way which serves all stakeholders including the communities within which the Group operates. Furthermore, Science Group seeks to continually enhance and extend its science and technology contribution to society through the work the Group undertakes with its clients and in areas where the Group decides to invest and explore directly.

The Board considers sound governance as a critical component of Science Group's success and the delivery of its strategy. Science Group has an effective and engaged Board, with a strong non-executive presence from diverse backgrounds, and well-functioning governance committees. Through the Group's compensation policies and variable components of employee remuneration, the Remuneration Committee of the Board seeks to ensure that Science Group's values are reinforced in employee behaviour and that effective risk management is promoted.

More information on Science Group's corporate governance can be found in the Corporate Governance Report.

Section 172 statement

The Companies (Miscellaneous Reporting) Regulations 2018 require qualifying companies to publish a statement explaining how the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in performing their duties under section 172.

In accordance with section 172, the Directors confirm that they have acted in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole. The paragraphs below identify key stakeholders and provide examples of how the Directors have had regard to the matters set out in section 172(1)(a) to (f) of the Act.

S172(1)(a) - The likely long-term consequences of decisions

The Directors regularly consider the long-term consequences of the Board's decisions and actions. In 2021 examples of this included:

- the acquisition of Magic Systech Inc which the Directors considered would enhance the Frontier division's proposition to customers including a lower production cost technology architecture.
- the completion of a new bank revolving credit facility with Lloyds Bank plc in order to provide additional capital resources to enable the execution of the Group's acquisition strategy.

Corporate Responsibility (continued)

S172(1)(b) - The interests of the Company's employees

The interests of the Group's employees have been key to decisions made by the Directors during the ongoing Covid-19 pandemic regarding how to continue working effectively while prioritising employees' safety and wellbeing. Accordingly, Group-wide protocols and initiatives initially put in place in 2020 have been maintained and regularly reviewed and updated to protect and support employees. During 2021 these included:

- ensuring all Group premises are Covid-19 secure in line with or exceeding Government requirements and guidelines.
- reviewing working patterns for employees balancing work and childcare in light of school closures.
- managing office population densities to ensure appropriate social distancing.
- rewarding employees' resilience and commitment during another challenging year by payment of one-off bonuses of £500 in January and £150 in November to all eligible, permanent employees on the profit share scheme (pro-rated for part time staff and localised for employees outside of the UK).
- initiating a programme of online wellness and social activities to support and engage staff.
- engaging full time daytime cleaners at the Group's largest sites in addition to daily evening cleaning.
- investing in software and communication tools to facilitate working from home.

The Directors also have regard to the interests of employees through the Group's remuneration strategy; review of employee performance and associated training and development needs; and promotion of an inclusive and diverse culture within the Group. More information can be found in Report of the Remuneration Committee, the sections below entitled Employee training and development and Diversity, equity and inclusion, and the Statement on engagement with employees.

S172(1)(c) - The need to foster business relationships with suppliers, customers and others

The Directors have had regard to the need to foster good relationships with customers through, for example, the implementation of key account management, the development and improvement of service offerings, and the ongoing review and strengthening of the Group's Quality Assurance procedures.

The Directors take into account the need for good business relationships with suppliers when reviewing key and critical supplier lists, inventory purchasing and supplier payment terms. In 2021 this was a continued focus in relation to the Frontier division which experienced extended lead times in its supply chain. Fostering close and clear communications with suppliers, and building on the existing key relationships, helped to ensure that deliveries were fulfilled as soon as practicable.

S172(1)(d) - The impact of the Company's operations on the community and the environment

The Directors are conscious of the importance of investing in and caring for the physical environments in which the Group operates and contributing to its local communities. These factors were key to the decisions to commission ecology surveys at the Harston Mill site to better understand the biodiversity and protected species on site; to formalise the Group's Waste Management Policy; and to make charitable donations to food banks and health-related charities local to the Group's sites to support local communities facing hardship. For more information see the section entitled Environmental, Social and Governance.

S172(1)(e) - The desirability of maintaining a reputation for high standards of business conduct

The Directors are committed to high standards of business conduct throughout the Group and take into account the desirability of maintaining its reputation for the same in their decision making. To support this aim, in 2021 the Group consolidated its various ethical standards and policies into a formal Ethics Policy.

S172(1)(f) - The need to act fairly as between shareholders

The Directors are committed to treating all shareholders equally and, as part of its decision making process, the Board considers the interests of shareholders as a whole. All shareholders are provided with equivalent information through RNS announcements, circulars and the Science Group website. While shareholders were unable to attend the Annual General Meeting in 2021 due to restrictions resulting from the Covid-19 pandemic, the Company issued several trading and business updates during the year in order to keep shareholders informed. For more information see the section entitled Relations with shareholders.

Employee training and development

Science Group's employees are the business' primary asset and the Board is committed to investing in their career development and rewarding exceptional performance. The Group makes a focused effort to offer training and mentorship to allow ambitious individuals to thrive within their environment and realise their personal potential. Formal training and career development is offered to staff of all levels through internal and external programmes that cover technical, business and managerial advancement opportunity. Beyond formal training, employees also hold informal lunchtime sessions on a regular basis to enable knowledge and skills transfer amongst teams.

Employee performance is aligned to the Group's objectives through an annual performance review process and ongoing project management, line management and mentorship feedback. Employees are kept up to date with information about the Group's activities through regular briefings and other media.

Corporate Responsibility (continued)

Employee training and development (continued)

The Group also invests in and rewards its workforce through the operation of its bonus and profit share schemes for qualifying employees; and its share option scheme which is at the discretion of the Remuneration Committee and other discretionary incentives.

The Board regularly monitors the Group's culture and practices, including the review of recruitment, retention and turnover data, health & safety reports, and reports from senior managers within the Group.

Diversity, equity and inclusion

Science Group is committed to encouraging diversity, equity and inclusion among its employees. The Group's employment policies are non-discriminatory on the grounds of age, gender, nationality, ethnic or racial origin, disability, religion or belief,

pregnancy and maternity, sexual orientation or marital or civil partnership status. Science Group gives due consideration to all applications and provides training and the opportunity for career development wherever possible. The Board does not support discrimination of any form, positive or negative, and all appointments are based on merit.

The Group's Diversity, Equity & Inclusion committee meets on a regular basis to implement current diversity initiatives. During 2021 these included: formalising the Group's Diversity, Equity & Inclusion Policy and Ethical Recruitment Guidelines; monitoring interview panels to ensure they include diverse representation; and designing and implementing an anonymous, voluntary diversity monitoring survey in the UK and US with the aims of better understanding the Group's workforce, analysing trends and informing future Diversity, Equity and Inclusion initiatives.

The Group currently has native speakers of over 30 languages. The gender ratio for the number of persons employed by the Group at the end of the year are set out in the table below.

	31 December 2021				31 December 2020			
	Male		Female		Male		Female	
	No	%	No	%	No	%	No	%
Plc Board of Directors & Company Secretary	5	83%	1	17%	4	67%	2	33%
Senior management & staff (>£75,000 per annum salary)	64	67%	32	33%	63	66%	33	34%
Other employees	158	49%	162	51%	161	52%	150	48%
Total employees	227	54%	195	46%	228	55%	185	45%

Notes:

- Employees are only allocated to one category. For example, where an individual is a member of the plc Board, that person is not then included within the other classifications;
- Subsidiary Directors have not been separately identified in the above table.

Health and safety

Science Group is committed to the health and safety of its employees, clients, sub-contractors and others who may be affected by the Group's work activities. The Group evaluates the risks to health and safety in the business and manages this through a Health and Safety Management System. The Group has a Health and Safety at Work policy which is reviewed and updated regularly. The Board Executive Director, responsible for health and safety, is the Finance Director with day-to-day responsibility being undertaken by the Company Secretary.

The Group provides necessary information, instruction, training and supervision to ensure that employees are able to discharge their duties effectively. The Health and Safety Management System used by the Group ensures compliance with applicable

legal and regulatory requirements and internal standards and seeks, by continuous improvement, to develop health and safety performance.

During 2021 the impact of the Covid-19 pandemic continued to require significant changes to working practices to ensure all sites were Covid-19 secure and compliant with local government guidelines. Measures implemented included regularly reviewed and updated risk assessments for all sites, full time daytime cleaners at the Group's two largest sites, social distancing procedures, and the provision of hand sanitiser and face coverings.

Corporate Responsibility (continued)

Environmental, social and governance

A review of the Group's approach to sustainability and societal impact during the year is set out below.

Environmental – the Group's operations are conducted in such a manner that compliance is maintained with legal requirements relating to the environment in areas where the Group conducts its business. During the period covered by this report Science Group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

The Directors consider that, due to the nature of the Group's operations, it does not have a significant impact on the environment. However, the Group seeks to minimise its carbon impact and recognises that its activities should be carried out in an environmentally friendly manner where practicable. Within the Group's offices and facilities, it proactively manages the use of energy, water and other resources and, during 2021, began collating its Scope 1 and Scope 2 emissions in the UK. The Group undertakes energy audits regularly (the most recent in 2019) and implements practicable recommendations, such as ongoing upgrades to LED lighting and the installation in 2020 of electric vehicle charging points both at the Epsom and Harston sites for employees' usage.

The Group buys energy from renewable sources as far as is practically and commercially reasonable. At the two largest sites in the UK, 100% of electricity is currently expected to come from renewable sources.

The Group's environmental impact is under continual review and the Group considers related initiatives on an ongoing basis. In 2021 these included: formalising the Group's Waste Management Policy to support the continued reduction of waste and, where practicable, re-use and recycling of consumables; and commissioning ecology surveys at the Harston Mill site to better understand the biodiversity and protected species on site.

The Group's Services businesses deliver consultancy-based projects performed by staff in office and laboratory facilities, and do not use large quantities of raw materials or processes that impact the environment. A growing number of the consultancy projects undertaken relate to sustainability strategies. In the R&D Consultancy division, in 2021 the Group undertook in excess of 35 projects which either wholly related to sustainability or for which this was a major consideration.

In the Regulatory & Compliance division, it is notable that a significant driver of regulatory change is to reduce the use of chemicals (industrial, agricultural and domestic) and to move to less harmful (to the environment and human health) alternatives and a large proportion projects are related to this evolving demand.

Neither the Group nor the Company meet the criteria for additional Streamlined Energy and Carbon Reporting (SECR) disclosure requirements in 2021.

The Group also chairs a CTO forum with US and European blue chip companies which has initially been focussed exclusively on net zero strategy and practice.

Social – Throughout the Covid-19 pandemic the Group has been mindful of its responsibilities in the community. The Group made donations to foodbanks and health-related charities local to its sites to support communities facing hardship. Where possible these donations were delivered by employees in each office, fostering local community links.

Governance – The Board takes issues of governance seriously and seeks to ensure transparency and streamlined administration. The Directors bring a broad range of technical, commercial, business, accounting, audit and corporate finance expertise. Culturally, the Board demonstrates a high degree of integrity, fairness and non-discrimination and promotes these values through the organisation. For more information see the Corporate Governance Report.

Approved by the Board of Directors on 15 March 2022 and signed on its behalf by:

Martyn Ratcliffe
Executive Chair

Report of the Directors

The Directors present their annual report on the business of Science Group plc together with Consolidated Financial Statements and Independent Auditor's Report for the year ended 31 December 2021.

Accompanying the Report of the Directors is the Strategic Report.

Review of the business and its future development

A review of the business and its future development is set out in the Strategic Report, incorporating the Statement of Executive Chair and Financial Report.

Cautionary statement

The review of the business and its future development in the Strategic Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of these reports and should be treated with caution due to inherent uncertainties associated with such statements.

Results and dividends

The results of the Group are set out in detail on page 39.

Subject to shareholder approval at the next Annual General Meeting, the Directors propose to pay a final dividend of 5.0 pence per share for the year ended 31 December 2021 (2020: 4.0 pence per share).

Capital structure

Details of the Company's issued share capital, together with details of the movements therein are set out in Note 22 to the Financial Statements. The Company has one class of ordinary shares which carry no right to fixed income.

Financial instruments and risk management

Disclosures regarding financial instruments are provided within the Strategic Report and Note 3 to the Financial Statements.

Directors

The Directors and associated biographies are listed on page 19.

Rebecca Archer retired from the Board on 9 April 2021. Sameet Vohra was appointed to the Board on 11 January 2021 and retired from the Board on 30 July 2021.

Jon Brett was appointed to the Board on 10 August 2021, and as such he will offer himself for re-election at the next Annual General Meeting. Daniel Edwards will retire by rotation and offer himself for re-election at the next Annual General Meeting.

Michael Lacey-Solymar will be also retire by rotation and offer himself for re-election at the next Annual General Meeting. This re-appointment would be for a tenth year and final year.

The Board considers that, in light of the Board changes during 2021 and ongoing corporate activities, it is appropriate for Mr Lacey-Solymar to continue as a Director to provide continuity and stability to the Board. Mr Lacey-Solymar will retire with effect from the 2023 Annual General Meeting.

Directors' interests in shares and contracts

Directors' interests in the shares of Science Group plc at 31 December 2021 and 31 December 2020, and any changes subsequent to 31 December 2021, are disclosed in Note 9. None of the Directors had an interest in any contract of significance to which Science Group was a party during the financial year.

Martyn Ratcliffe and Peter Bertram are Directors of TP Group plc. Science Group plc is a related party of TP Group plc and, as at 31 December 2021, the Company owns 28% of TP Group plc.

Directors' indemnities

The Directors have the benefit of an indemnity provision contained in the Articles. The Directors have also been granted a qualifying third party indemnity provision which was in force throughout the financial year and remains in force. In addition, throughout the year the Company purchased and maintained Directors' and Officers' liability insurance in respect of itself and for its Directors and Officers.

Annual General Meeting

The Annual General Meeting ('AGM') will be held on 18 May 2022 at 17 Waterloo Place, London, SW1Y 4AR. The notice of the AGM contains the full text of resolutions to be proposed.

Purchase of own shares

At the AGM on 19 May 2021, shareholders approved a resolution for the Company to buy back up to 10% of its own shares. At a General Meeting on 30 September 2021, shareholders approved a further resolution for the Company to buy back up to 10% of its own shares. This resolution replaced the authority granted at the AGM and remains valid until the conclusion of the next AGM in 2022 or 30 June 2022 if earlier. As at the date of this report, the Company has bought back 73,623 shares pursuant to this authority. Throughout 2021 the Company bought back a total of 148,623 shares pursuant to both the 2021 General Meeting authority and the equivalent authority approved at the 2020 AGM. For further information refer to Note 22.

Equity Placing

On 7 September 2021, the Group carried out a non-pre-emptive placing and issued 4,123,839 new ordinary shares to certain existing and new institutional shareholders. The placing raised £18.5 million (net proceeds of £17.8 million) at a price of £4.50 per new ordinary share.

Report of the Directors (continued)

Substantial shareholdings

As at 14 March 2022, Science Group had been notified of the following significant interests (greater than 3%) in its ordinary share capital:

Shareholder	Ordinary shares held	% of voting rights
Martyn Ratcliffe	9,412,080	20.63%
Canaccord Genuity Group Inc	7,290,666	15.98%
Ruffer LLP	6,586,277	14.44%
BGF Investment Management Ltd	3,489,547	7.65%
Otus Capital Management	2,422,548	5.31%
Herald Investment Management Ltd	1,833,674	4.02%
Hanover Investment Management	1,373,889	3.01%

Employees

The average number of persons, including Directors, employed by the Group and their remuneration is set out in Note 8 to the Financial Statements.

Statement on engagement with employees

Employees have been provided with information on matters of concern to them through the Group’s intranet; revised policies and updates from the human resources team; and formal and informal meetings and other communications with line managers and senior managers. Employees have been consulted on specific issues likely to affect their interests through individual meetings with the human resources team and discussion with line managers and senior managers.

During 2021 there has been continued focus on communication with employees in light of the Covid-19 pandemic and its associated challenges and adjustments to working practices as government guidelines across jurisdictions changed. Regular updates have been provided on a Group-wide and local basis to confirm working arrangements, provide information on measures taken to ensure staff safety, and to reassure and support employees during this challenging period.

Other examples of employee engagement during 2021 include:

- consultation regarding suggestions for recipient organisations of the Group’s local charitable donations.
- implementation of a diversity monitoring survey for staff in the UK and US.
- consultation regarding an online programme of wellness and social activities.
- continued encouragement of employees’ involvement in the Group’s performance through the award of share option grants under the Group’s share option scheme, payments made under the Group’s bonus and profit share schemes, and other discretionary incentives.

For information on how the Directors have had regard to employees’ interests, see the Section 172 statement.

Statement on engagement with customers, suppliers and others

Engagement with customers, suppliers and other stakeholders in the business is an important factor in ensuring the successful implementation of the Group’s strategy. For information on how the Directors have had regard to the need to foster these business relationships, see the Section 172 statement.

Disabled persons

The Company gives full and fair consideration to suitable applications for employment from disabled persons where a disabled person can adequately fulfil the requirements of the role. Where an employee of the Company becomes disabled during the course of their employment the Company would seek to arrange appropriate further training for the employee, and make reasonable adjustments to the employee’s working environment, where it is possible for the employee to continue fulfilling the requirements of their role. Employees with a disability are eligible to participate in career development opportunities across the Company including training and promotion opportunities.

Donations

On a discretionary basis, the Company operates a scheme to match charitable donations raised by employees up to a specified limit. Charitable donations related to this programme were similar to the prior year. In addition the Group made donations to local foodbanks and health-related charities local to its sites specifically to support local communities facing hardship.

As a result, total charitable contributions made in 2021 were approximately £24,000 (2020: £33,000). No political donations were made during the period (2021: £nil).

Research and development

Science Group provides outsourced science based services and therefore has an inherent and continuing commitment to high levels of research and development, primarily on behalf of its clients but also, when appropriate, on its own behalf.

Post balance sheet events

Post balance sheet events are disclosed in Note 29 to the Financial Statements.

Report of the Directors (continued)

Auditor

Grant Thornton UK LLP were appointed as auditor from 7 May 2020 and were re-appointed at the AGM on 19 May 2021. Grant Thornton UK LLP are willing to continue in office and a resolution to reappoint them will be proposed at the forthcoming AGM.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors

The Directors of the Company who served during the year were:

Director	Role at 31 December 2020	Date of (re-) appointment	Date of retirement	Board Committee		
Martyn Ratcliffe	Executive Chair	19/05/2021		N		
Rebecca Archer	Finance Director	16/06/2020	09/04/2021			
Sameet Vohra	Chief Financial Officer	11/01/2021	30/07/2021			
Jon Brett	Finance Controller [^]	10/08/2021				
Daniel Edwards	Group Managing Director	16/06/2020				
Michael Lacey-Solymar+	Non-Executive Director	10/10/2021		A	N	R
Peter Bertram+	Non-Executive Director	19/05/2021		A	N	R

Board Committee abbreviations are as follows: A = Audit Committee; R = Remuneration Committee; N = Nomination Committee

+ Independent Director

[^] Jon Brett was appointed Acting Finance Director on 10 August 2021

Directors' Biographies

Below are the biographies of the current Directors:

Martyn Ratcliffe – Executive Chair

Martyn Ratcliffe was appointed Chairman on 15 April 2010 following his investment in Sagentia Group, now Science Group. Mr Ratcliffe is also Executive Chairman of TP Group plc. He was Chairman of Microgen plc from 1998 to 2016 and Chairman of RM plc from 2011 to 2013. He was previously Senior Vice President of Dell Computer Corporation, responsible for EMEA. He has a degree in Physics from the University of Bath and an MBA from City University, London.

Jon Brett - Finance Director*

Jon Brett was appointed to the Board as Acting Finance Director on 10 August 2021 and confirmed as Finance Director on 1 March 2022. Mr Brett joined Science Group as Financial Controller in March 2020 and was previously Group Financial Controller for Study Group Limited. He trained with Deloitte LLP and qualified as a Certified Accountant in 2004.

Daniel Edwards – Group Managing Director*

Daniel Edwards was appointed to the Board on 24 April 2019. Mr Edwards joined the Company in 2004 and has held a number of roles within the Group including four years in the USA before being appointed Managing Director in 2012. He has an Engineering degree from the University of Cambridge and an MBA from Harvard Business School. He started his career at Rolls-Royce plc.

Michael Lacey-Solymar – Senior Independent Director*

Michael Lacey-Solymar was appointed as a Non-Executive Director on 11 October 2012. Mr Lacey-Solymar has over 25 years corporate finance experience at UBS and Investec. He is currently Chairman of Cambridge Medical Technologies Limited and a partner at Opus Corporate Finance LLP. He has a degree in Modern Languages from the University of Oxford.

Peter Bertram - Independent Director

Peter Bertram was appointed as a Non-Executive Director on 17 June 2020. Mr Bertram is also a Non-Executive Director of TP Group plc. He was Chairman of Manolete Partners plc from 2018 until 2021 and he has previously held a variety of Non-Executive board positions including Low & Bonar plc, Alphameric plc, Anite plc, Microgen plc, Phoenix IT Group plc and Psion plc, and was CEO of Azlan Group plc. Mr Bertram is a Chartered Accountant and has a degree in Accounting from the University of Kent.

Sarah Cole – Company Secretary

Sarah Cole joined the Company on 10 January 2011 and was appointed Company Secretary on 22 March 2013. Ms Cole has a degree in Jurisprudence from the University of Oxford and qualified as a Solicitor in 2003.

* To stand for re-election at the next AGM

Corporate Governance Report

The Company is registered in England and Wales and listed on the Alternative Investment Market of the London Stock Exchange ('AIM').

Adoption of recognised corporate governance code

The Board has adopted the Financial Reporting Council's UK Corporate Governance Code July 2018. The Company's statement of compliance and associated disclosures are available on the investor pages of the Company's website.

Board of Directors

At 31 December 2021, the Board comprised an Executive Chair (part-time), Group Managing Director, Acting Finance Director, and two independent Non-Executive Directors. All Directors bring a wide range of skills and international experience to the Board. The Non-Executive Directors hold meetings without the Executive Chair, Group Managing Director and Acting Finance Director present if appropriate.

The Executive Chair is primarily responsible for the working of the Board of Science Group plc and the Group corporate strategy.

High-level strategic decisions are discussed and taken by the full Board. Investment decisions (above a de minimis level) are taken by the full Board. Operational decisions are taken by the Executive Board members, Divisional Managing Directors and other Senior Managers within the framework approved in the annual financial plan and within a framework of Board-approved authorisation levels.

The Board met 35 times during 2021 (2020: 24). The Board regulations define a framework of high-level authorities that maps the structure of delegation below Board level, as well as specifying issues which remain within the Board's preserve.

The Board typically holds ten regular meetings a year to consider a formal schedule of matters including the operating performance of the business and to review Science Group's financial plan and business model. Other meetings are held on an ad hoc basis as the need arises with the corporate activities undertaken in 2021 being the primary reason for the high number of meetings during the year.

Non-Executive Directors are appointed for a three year term after which their appointment may be extended by mutual agreement after due consideration by the Nomination Committee of the Board. In accordance with the Company's Articles of Association, the longest serving Director (from their last appointment) must retire at each Annual General Meeting and each Director must retire in any three year period, so that over a three year period all Directors will have retired from the Board and been subject to shareholder re-election.

All Directors have access to the advice and services of the Company Secretary and other independent professional

advisers as required. Non-Executive Directors have access to key members of staff and are entitled to attend management meetings in order to familiarise themselves with all aspects of Science Group.

It is the responsibility of the Executive Chair and the Company Secretary to ensure that Board members receive sufficient and timely information regarding corporate and business issues to enable them to discharge their duties.

Relations with shareholders

The Directors seek to establish and maintain a mutual understanding of objectives between Science Group and its major shareholders by meeting to discuss long-term issues and receive feedback, communicating regularly throughout the year and issuing trading or business updates as appropriate. While the Board also usually seeks to use the Annual General Meeting to communicate with its shareholders, it was not possible for shareholders to attend the Annual General Meeting in 2021 due to ongoing Covid-19 restrictions. The Board will advise on arrangements for the 2022 Annual General Meeting in due course.

Remuneration strategy

Science Group operates in a competitive market. If Science Group is to compete successfully, it is essential that it attracts, develops and retains high quality staff. Remuneration policy has an important part to play in achieving this objective. Science Group aims to offer its staff a remuneration package which is both competitive in the relevant employment market and which reflects individual performance and contribution. For 2021, in addition to base salary, benefits included pension contributions, healthcare and life assurance benefits, a Group bonus/profit share scheme, additional bonus schemes based on achievement of billed hours targets for certain businesses within the Group, a commission scheme for sales people and, where appropriate, share options.

Board Committees

The Board maintains three standing committees, being the Audit, Remuneration and Nomination Committees. The minutes of all sub-committees are circulated for review and consideration by all relevant Directors, supplemented when appropriate by oral reports from the Committee Chairs at Board meetings.

The Board conducts an annual internal evaluation of the Board and its committees, the results of which are reviewed and discussed by the Board. Due to the small size of the Board this annual evaluation, together with regular informal performance evaluations of Directors and the Executive Chair by the Board, is considered sufficient.

Audit Committee

The Audit Committee is chaired by Peter Bertram and currently comprises Peter Bertram and Michael Lacey-Solymar. The Audit Committee met 4 times during 2021 (2020: 6). It takes advice from the Company's auditors and tax advisors. Further

details on the Audit Committee are provided in the Report of the Audit Committee.

Remuneration Committee

The Remuneration Committee is chaired by Michael Lacey-Solymar and currently comprises Michael Lacey-Solymar and Peter Bertram. The Remuneration Committee met 8 times during 2021 (2020: 6). It may take advice from time to time from external advisers, but did not do so in 2021. Further details on the Remuneration Committee are provided in the Report of the Remuneration Committee.

Nomination Committee

The Nomination Committee is chaired by Martyn Ratcliffe and currently comprises Martyn Ratcliffe, Peter Bertram and Michael Lacey-Solymar. The Nomination Committee met 2 times during 2021 (2020: 3). It may take advice from time to time from external advisers. The Committee meets when necessary. Further details on the Nomination Committee are provided in the Report of the Nomination Committee.

Meetings of the Board and sub-committees during 2021 were as follows:

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held in 2021	35	4	8	2
Martyn Ratcliffe	35	4*	7*	2
Rebecca Archer+	4	3*	2*	1*
Sameet Vohra++	12	3*	3*	2*
Jon Brett+++	25 ¹	4*	3*	0
Daniel Edwards	32	4*	7*	2*
Michael Lacey-Solymar	33	4	8	2
Peter Bertram	31	4	8	2

* Attendance by invitation

¹ Attended 4 by invitation prior to appointment

+ Rebecca Archer retired on 9 April 2021

++ Sameet Vohra was appointed on 11 January 2021 and retired on 30 July 2021

+++ Jon Brett was appointed on 10 August 2021

Report of the Remuneration Committee

Remuneration Committee

The Remuneration Committee is chaired by Michael Lacey-Solymar and currently comprises Michael Lacey-Solymar and Peter Bertram.

The Remuneration Committee monitors the remuneration policies of Science Group to ensure that they are consistent with Science Group's business objectives. Its terms of reference include the recommendation and execution of policy on Director and executive management remuneration and for reporting decisions made to the Board. The Committee determines the individual remuneration package of the Executive Chair and Executive Directors, and also reviews remuneration packages for all senior employees of Science Group. This responsibility includes pension rights and any other compensation payments including bonus/profit share payments and share option awards.

The Remuneration Committee recognises that incentivisation of staff is a key issue for Science Group, which depends on the skill of its people for its success. The Remuneration Committee seeks to incentivise employees by linking individual remuneration to individual performance and contribution, and to Science Group results. During the year, the Remuneration Committee approved grants of share options and confirmed Group profit related bonus and profit share schemes for the Company for 2021. The Remuneration Committee also approved a number of individual discretionary bonuses as well as payment of one-off bonuses of £500 in January and £150 in November to all eligible, permanent employees (pro-rated for part time staff and localised for employees outside of the UK) in recognition of employees' resilience and commitment during another challenging year due to the Covid-19 pandemic.

The aim of the Board and the Remuneration Committee is to maintain a policy that:

- establishes a remuneration structure that will attract, retain and motivate executives, senior managers and other staff of appropriate calibre;
- rewards executives and senior managers according to both individual and Group performance;
- establishes an appropriate balance between fixed and variable elements of total remuneration, with the performance-related element forming a potentially significant proportion of the total remuneration package;
- aligns the interests of executives and senior managers with those of shareholders through the use of performance-related rewards and share options in Science Group.

From time to time the Committee may obtain market data and information as appropriate when making its comparisons and decisions and is sensitive to the wider perspective, including pay and employment conditions elsewhere in Science Group, especially when undertaking salary/remuneration reviews.

The remuneration policies operated as intended during the year.

Employee remuneration can include the following elements:

- basic salary – normally reviewed annually and set to reflect market conditions, personal performance and benchmarks in comparable companies;
- annual Group performance-related bonus/profit share – executives, managers and eligible employees receive annual bonuses/profit shares related to company performance. The bonus scheme includes a claw back mechanism in certain circumstances. The Executive Chair does not participate in the Group annual performance-related bonus scheme but the Remuneration Committee may at its sole discretion award a bonus if appropriate;
- billed hours bonus – employees in certain businesses within the Group participate in additional bonus schemes based on achievement of billed hours targets;
- commission – some employees in sales roles participate in commission schemes based on revenue received from relevant sales. These employees are not eligible for the Group bonus/profit share schemes;
- benefits – benefits include medical insurance, life assurance and pension contributions. The Executive Chair does not receive these benefits;
- share options – share option grants are reviewed regularly and granted on a discretionary basis by the Remuneration Committee. The Executive Chair has excluded himself from all such awards since 2010.

Full details of each Director's remuneration package and their interests in shares and share options can be found in Note 9 to the Financial Statements. There are no elements of remuneration, other than basic earnings, which are treated as being pensionable.

Share option plans

The Company adopted approved and unapproved Share Option Schemes in 2008, the terms of which were reviewed and amended in 2010 and 2013 and adopted by shareholders. Further in 2013, the Company adopted an unapproved Performance Share Plan ('PSP'), the terms of which were amended in 2014, 2018 and 2020 and adopted by shareholders. Options granted under the former schemes were issued at market price whilst options granted under the PSP scheme are issued at the nominal share price. No options have been granted under the former schemes since the adoption of the PSP scheme. The Remuneration Committee approves any options granted.

Directors are entitled to participate in Science Group's share option schemes. Independent Non-Executive Directors do not participate in Science Group's share option schemes. It is the policy of Science Group to grant share options to Executive Directors and key employees as a means of encouraging ownership and providing incentives for performance. The only share options granted to the Executive Chair, which occurred in 2010, were specifically approved by shareholders and he excludes himself from annual awards.

Report of the Remuneration Committee (continued)

Share option plans (continued)

The Frontier Smart Technologies Employee Benefit Trust ('EBT') holds 104,400 shares in the Company which are intended to be used to satisfy employee share options issued to the Joint Managing Directors of the Frontier business.

Director contracts and remuneration

The Executive Directors have employment contracts that contain notice periods of six months. Non-Executive Directors' service contracts may be terminated on three months' notice. There are no additional financial provisions for termination.

The Executive Chair and Non-Executive Directors receive a fixed salary. The Executive Chair does not participate in the

Group bonus scheme but, if appropriate, the Remuneration Committee may award a discretionary bonus. Remuneration of the Executive Directors (excluding the Executive Chair) follows a simple structure of base salary, bonus and long-term incentives using share options, including under the Enhanced Executive Incentive ('EEI') addendum to the PSP plan that was approved by shareholders at the 2018 AGM. The Executive Chair is not excluded from the share option plan but has not received an award of share options since 2010.

The market price of the shares at 31 December 2021 was 455.0 pence (2020: 280.0 pence). The highest and lowest price during the year was 490.0 pence and 290.0 pence respectively.

Report of the Audit Committee

Audit Committee

The Audit Committee is chaired by Peter Bertram and currently comprises Peter Bertram and Michael Lacey-Solymar.

The Audit Committee has written terms of reference and provides a mechanism through which the Board can: maintain the integrity of the financial statements of Science Group (including financial reporting policies) and any formal announcements relating to Science Group's financial performance; review Science Group's internal financial controls and Science Group's internal control and risk management systems; and make recommendations to the Board in relation to the appointment of the external auditor, their remuneration both for audit and non-audit work, the nature, scope and results of the audit and the cost effectiveness and the independence and objectivity of the auditors. A recommendation regarding the auditors is put to shareholders for their approval in general meetings.

Provision is made by the Audit Committee to meet the auditors at least twice a year, including at least one meeting without any Executive Directors present.

Financial reporting and significant financial matters

In carrying out its duties, the Audit Committee is required to assess whether suitable accounting policies have been adopted and to challenge the robustness of significant management judgements reflected in the financial results. This is performed through discussions at Audit Committee meetings where the Finance Director explains any changes to accounting policies and describes any significant management judgements made. In addition, the Audit Committee reviews the year end report to the Audit Committee from the external auditors which details its work performed and findings from the annual audit.

During the year, the Audit Committee considered the following key financial matters in relation to the Group's financial statements and disclosures, with input from the external auditor:

Going concern - The going concern assertion has a significant impact on the basis of preparation of the financial statements. The Committee reviewed the business plan presented by management for the financial year ending 31 December 2022 and considered the key assumptions made by management. The Committee challenged management on the assumptions in the plan and consequently considered them appropriate. The Committee received the business plan cash flow which covered the period to March 2023 and considered the associated assumptions, which were concluded to be appropriate.

The Finance Director performed a sensitivity analysis to assess the amount of headroom available in the event of a downside event occurring. The analysis considered the likelihood of a scenario where covenants would be breached. The conclusion was that, under the worst case downside scenario, the Group would continue to have sufficient cash resources in order to meet its liabilities as they fall due.

Acquisition accounting - All acquisitions are approved by the Board to ensure the acquisition is in line with the Group strategy and the potential risks are explained, quantified where possible and understood.

Carrying value of goodwill and acquisition related intangible assets - The value of the goodwill and acquisition related intangible assets is supported by a value in use model prepared by management. This is based on cash flows extracted from the Group's financial plan which has been approved by the Board. The Finance Director communicated the key assumptions within the value in use model and the Audit Committee concurred with management's conclusion that the carrying value of these assets was fully supported.

Risk of fraud within revenue recognition - Revenue is the most material balance in the Consolidated Income Statement and accordingly, there is a rebuttable presumption that there is a fraud risk surrounding revenue. There is presumed to be an incentive to manipulate revenue in a manner that inflates the Group profit, particularly around the year-end period.

Project managers carefully monitor the revenue recognised against projects and are accountable for the progress of projects. The Finance Director reviews the revenue recognised and accrued income balances on a monthly basis and investigates any unusual amounts recognised against projects. Collectively these processes would identify any unwarranted revenue recognised. No instances of fraudulent revenue recognition have been noted from these monitoring procedures in the current year. The Audit Committee is satisfied with management's response to the risk this incentive represents.

Recoverability of investments in subsidiaries of Science Group plc - The value of investments in subsidiaries is supported by a value in use model prepared by management. This was based on cash flows extracted from the Group's financial plan which has been approved by the Board. The Finance Director communicated the key assumptions within the value in use model and the Audit Committee concurred with management's conclusion that the carrying value of these assets was fully supported.

Internal controls

In applying the principle that the Board should maintain a sound system of internal control to safeguard shareholders' investments and Science Group's assets, the Directors recognise that they have overall responsibility for ensuring that Science Group maintains systems to provide them with reasonable assurance regarding effective and efficient operations, internal control and compliance with laws and regulations and for reviewing the effectiveness of that system. However, there are inherent limitations in any system of control and accordingly even the most effective system can provide only reasonable and not absolute assurance against material misstatement or loss. The system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

Report of the Audit Committee (continued)

Internal controls (continued)

Science Group has established procedures necessary to implement the guidance on internal control issued by the FRC Guidance on Audit Committees 2014. This includes identification, categorisation and prioritisation of critical risks within the business and allocation of responsibility to its executives and senior managers.

The key features of the internal control system are described below:

Control environment – Science Group is committed to high standards of business conduct and seeks to maintain these standards across all of its operations. There is a whistleblowing policy in place for the reporting and resolution of suspected fraudulent activities. There is a continual review of payment processes, authorisation levels for expenditure, and awareness raising of the risks of fraudulent activities. Science Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve its objectives.

Risk identification – Corporate and operational managers are responsible for the identification and evaluation of key risks applicable to their areas of business. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources, including infringement of IP, sales channels, investment risk, staff retention, disruption in information systems, natural catastrophe and regulatory requirements.

Information systems – Group businesses participate in operational/strategy reviews and annual plans. The Board actively monitors performance against plan. Forecasts and operational results are consolidated and presented to the Board on a regular basis. Through these mechanisms, performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Main control procedures – Science Group has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the exposure to loss of assets and fraud. Measures taken include segregation of duties, as far as reasonably practicable.

Monitoring and corrective action – There are procedures in place for monitoring the system of internal financial controls.

This process, which operates in accordance with the FRC Guidance, was maintained throughout the financial year, and has remained in place up to the date of the approval of these financial statements. The Board, via the Audit Committee, has reviewed the systems and processes in place in meetings with the Finance Director and Science Group's auditors during 2021. No internal audit function is operated outside of the systems

and processes in place, as the Board considers that Science Group is currently too small for a separate function, although this remains under regular review. The Board considers the internal control system to be appropriate for the Group.

Auditors

Grant Thornton LLP were re-appointed at the AGM on 19 May 2021.

The Audit Committee considers the independence of the auditors as part of considering their annual re-appointment. During the year Grant Thornton has provided services in relation to the annual audit of the Group and also provided tax compliance services for certain of the UK subsidiaries. Audit Committee approval was provided for the provision of non-audit services by Grant Thornton in order to safeguard auditor independence.

Report of the Nomination Committee

The Nomination Committee is chaired by Martyn Ratcliffe and currently comprises Martyn Ratcliffe, Michael Lacey-Solymar and Peter Bertram.

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and re-appointments and also to advise generally on issues relating to Board composition and balance. The Committee seeks input from all Directors regarding nominations for Board positions. All Board appointments have to be ratified at a General Meeting of the Company.

The Nomination Committee does not believe that it is appropriate to set any specific targets with regards to diversity, including gender. The Committee believes that the search for Board candidates should be conducted, and appointments made, on merit, against objective criteria but with due regard for the benefits of diversity on the Board.

In 2021, in light of prior Board changes during the year and on-going corporate activities, the Committee recommended the re-appointment of Michael Lacey-Solymar as a Non-Executive Director for a tenth and final year until the 2023 AGM. The Committee anticipates appointing an external search firm to seek candidates for a new Non-Executive Director.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations. The Directors consider that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the UK and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the UK;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so. The directors confirm that they consider it appropriate to adopt the going concern basis of accounting in preparing the Annual Report and financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approval

The Report of the Directors was approved by the Board on 15 March 2022 and signed on its behalf:

By order of the Board

Sarah Cole
Company Secretary

Harston Mill
Harston
Cambridge
CB22 7GG

Independent Auditor's Report to the Members of Science Group plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Science Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Shareholders' Equity, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Cash Flows and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- audit of cash as at 31 December 2021 and assessment of cash position subsequent to the year-end;
- assessing the accuracy of forecasting by comparing management's forecast of current period to current year performance;
- checking the inputs into managements forecasts and projections and related sensitivity analysis for the period until 31 March 2023;
- challenging the reasonableness of key assumptions used in preparing the cashflow forecasts and projections; and
- consideration of post balance sheet events and checking if any of these events have an impact on cashflow forecasts and projections.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Conclusions relating to going concern (continued)

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In relation to the Group's and the parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

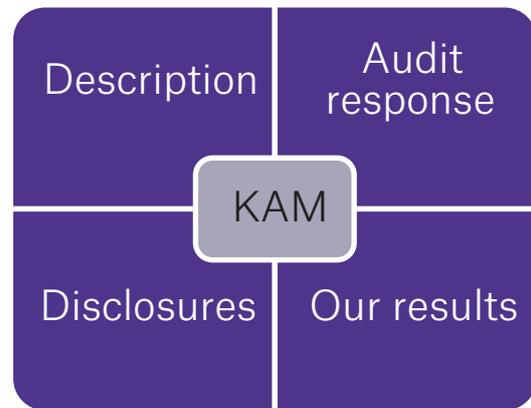
The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

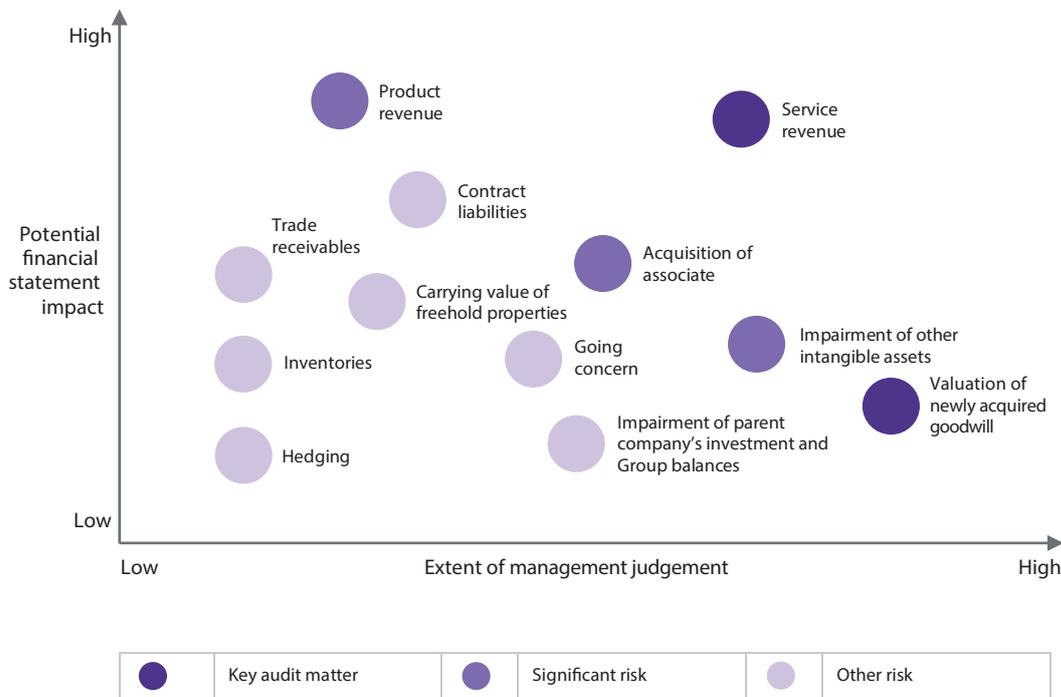
 	<p>Overview of our audit approach</p> <p>Overall materiality:</p> <p>Group: £570,000 which represents approximately 5% of the Group's profit before tax at the planning stage of the audit.</p> <p>Parent company: £399,000 which represents approximately 2% of the parent company's net assets but is restricted to 70% of Group materiality.</p> <p>Key audit matters were identified as:</p> <ul style="list-style-type: none"> • Revenue recognition (service revenue); and • Valuation of newly acquired goodwill. <p>Our auditor's report for the year ended 31 December 2020 included one key audit matter that has not been reported as a key audit matter in our current year's report. This related to the going concern basis of accounting, and has not been included in the current year as the business' performance has improved, it has sufficient cash balances, and has taken a new revolving credit facility.</p> <p>We performed:</p> <ul style="list-style-type: none"> • Audits of the financial information of the parent company Science Group plc and eight components using component materiality (full-scope audit); • specified audit procedures on the financial information (specified audit procedures) were performed for Sagentia Inc, and Technology Sciences Group Inc; and • analytical procedures at Group level (analytical procedures) were performed for all other components of the Group.
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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



INDEPENDENT AUDITOR'S REPORT

Key audit matters (continued)

Key Audit Matter – Group	How our scope addressed the matter – Group
<p>Revenue recognition (service revenue)</p> <p>We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. Under International Reporting Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to fraud. We have not rebutted this presumed risk to service revenue.</p> <p>Included in reported revenues of £81m (2020: £74m), £56m (2020: £52m) arises from the provision of services.</p> <p>Services revenue from consultancy projects are based on time and materials costs incurred on a project. Revenue on these contracts is recognised based on timesheet hours. A significant risk was identified concerning open contracts at year-end as revenue recognised on open contracts could be misstated.</p> <p>The Group's revenue is material to the financial statements and our audit work on service revenue required significant allocation of resource.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • assessing revenue recognition policies to determine whether they are in accordance with International Financial Reporting Standard ('IFRS') 15 'Revenue from Contracts with Customers'; • understanding management's basis of assessment to support judgements impacting revenue recognition; • testing operating effectiveness of controls relating to contract approvals, budgeting of service contracts and timesheet recording and reviews; • testing a sample of projects to corroborative evidence including signed contracts, agreed hourly rates, sales invoices, underlying timesheet data, and cash receipts to ensure appropriate of revenue recognition; • testing completeness of revenue by obtaining a list of all contracts signed during the year from the legal department and for a sample of contracts, agreeing the revenue recognised to the contract; and • testing completeness of deferred revenue and existence of accrued revenue by agreeing the sales invoices to appropriate corroborative evidence.
<p>Relevant disclosures in the Annual Report and Accounts</p> <p>The Group's accounting policy on revenue recognition is set out in Note 2.18 to the financial statements and related disclosures are included in Note 5.</p>	<p>Our results</p> <p>Based on our audit work, we did not identify any material misstatements of service revenue or any instance where service revenue was not recognised in accordance with the stated accounting policies.</p>

Key audit matters (continued)

Key Audit Matter – Group	How our scope addressed the matter – Group
<p>Valuation of newly acquired goodwill We identified the valuation of goodwill related to the newly acquired Magic cash generating unit ('CGU') as one of the most significant assessed risks of material misstatement due to error. This is due to the inherent uncertainty and judgements involved in forecasting future results and cashflows of this new cash generating unit, including growth in revenues and operating profit margins as well as determining an appropriate discount factor.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • assessing whether management's accounting policy complies with International Accounting Standard ('IAS') 36 'Impairments of Assets' requirements; • obtaining management's impairment model and downside sensitivities assessments for the cash generating unit, which are based on Board approved five year discounted cash flow models for the cash generating unit; • critically examining management's identification of cash generating units to ensure this was in accordance with IAS 36; • challenging the assumptions used in the cash flow forecasts. The key assumptions used were discount rate, revenue growth rates, terminal growth rate, tax rates, and Earnings Before Tax and Interest ('EBIT') margins. We used valuation specialists to check the reasonableness of the discount rate; • comparing historical revenue growth rates to the forecasts to assess the accuracy of the forecasted revenue growth rates; and • developing an impairment model to check how management had applied their assumptions. We also performed a sensitivity analysis on the key assumptions used in the model like the discount rate, revenue growth rate, terminal growth rates, and EBIT margin and assessed how sensitive the values in use were to the changes in these variables.
<p>Relevant disclosures in the Annual Report and Accounts The Group's accounting policy on intangible assets including goodwill is set out in Note 2.7 to the financial statements and related disclosures are included in Note 14.</p>	<p>Our results After sensitising the forecasts by increasing the discount rate, reducing revenue forecasts and taking a mid range EBIT margin, we noted there to be an indicative but immaterial impairment in the Magic CGU. Management have appropriately disclosed the sensitivity of key assumptions relating to this CGU within the financial statements.</p> <p>Our audit work did not identify any material misstatements in the valuation of goodwill.</p>

INDEPENDENT AUDITOR'S REPORT

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

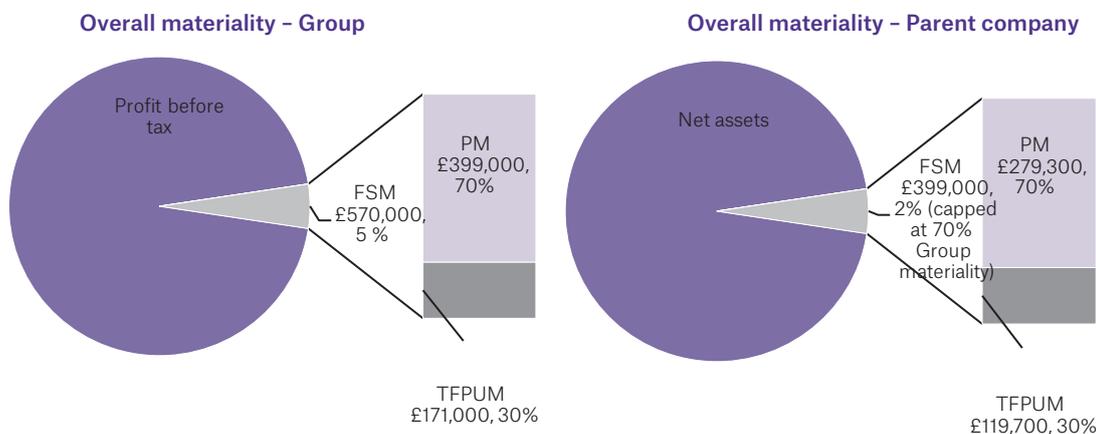
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£570,000, which is approximately 5% of profit before tax at the planning stage of the audit. We chose not to revise our materiality once the final profit before tax was known.	£399,000, which is approximately 2% of net assets, but has been restricted to 70% of Group materiality.
Significant judgements made by auditor in determining the materiality	<p>In determining materiality, we made the following significant judgement:</p> <ul style="list-style-type: none"> We selected Profit before tax as the most appropriate benchmark because the Group is a commercially focused organisation and profit before taxation is a key financial measure for the shareholders, and is a generally accepted audit benchmark. We selected 5% to be an appropriate percentage as it is within the acceptable range used in the industry. <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2020 to reflect the increased profit before tax during the year.</p>	<p>In determining materiality, we made the following significant judgement:</p> <ul style="list-style-type: none"> The parent is a non-trading entity, and holds investments in other Group trading entities. We calculated materiality using projected net assets as at 31 December 2021 as the benchmark but capped materiality to 70% of the Group materiality as the standalone materiality was higher than Group performance materiality. Net assets is considered the most appropriate benchmark because the entity is a non-trading holding company. <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2020 to reflect the increase in net assets at the year-end.</p>

Our application of materiality (continued)

Materiality measure	Group	Parent company
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£399,000, which is 70% of financial statement materiality.	£279,300, which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> The Group's business has few complex transactions, and operations and we consider the Group to operate within a good control environment. <p>We identified few misstatements in the prior year audit which had an immaterial impact on the overall financial statements.</p>	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> The parent is a non-trading entity and holds investments in other Group trading entities, there were few complex transactions involved in the current year within the parent company. <p>We identified few misstatements in prior year audit which had an immaterial impact on overall financial statements.</p>
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> Related party transactions Directors' remuneration 	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> Related party transactions Directors' remuneration
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£28,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£19,950 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our application of materiality (continued)

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including Group-wide controls

- We obtained an understanding of the Group and its environment, including Group-wide controls; and assessed the risks of material misstatement at a Group level;
- All financial reporting is based in the UK. Each division has an accounting function which reports to the divisional management in addition to the Group finance team;
- In assessing the risk of material misstatement of the Group financial statements, we considered the transactions undertaken by each entity and therefore where the focus of our work was required; and
- We have tailored our audit response accordingly with all audit work undertaken by the Group engagement team, except for the use of staff from Grant Thornton International member firms to observe physical stock counts at overseas locations.

Identifying significant components

- We considered the size and risk profile of each component, any changes in business and other factors when determining the level of work to be performed on the financial information of each component. Financial significance of each component was determined based on the percentage of the Group's total assets, revenues and profit before tax.

Type of work to be performed on financial information of parent and other components

- Audits of financial information of the component using component materiality (full-scope audits), were performed on the following entities in the Group: Sagentia Limited, Leatherhead Research Limited, OTM Consulting Limited, Quadro Epsom Limited, Oakland Innovation Limited, Quadro Harston Limited, Technology Sciences Group Limited, Technology Sciences Group Consulting Limited, SG Bidco Limited, and Frontier Smart Technologies Limited
- Specified audit procedures were performed on the financial information of the component (specified audit procedures) were performed for Sagentia Inc, and Technology Sciences Group Inc.
- Testing performed over 97% of total Group revenues, either through full-scope or specified audit procedures

An overview of the scope of our audit (continued)

Type of work to be performed on financial information of parent and other components (continued)

Audit approach	No. of components	% coverage revenue
Full-scope audit	8	80.6
Specified audit procedures	2	17.3
Analytical procedures	11	2.1

Changes in approach from previous period

- We have increased the scope of testing for the purposes of the Group audit, including Technology Sciences Group Inc within our scope of specified audit procedures, covering revenue and personnel costs.

Other information

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

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Corporate governance statement

ISAs (UK) require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's and the parent company's voluntary compliance with the provisions of the UK Corporate Governance Code.

Corporate governance statement (continued)

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- Directors' explanation as to their assessment of the Groups prospects, the period this assessment covers and why the period is appropriate;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities;
- Directors' statement is fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- Section describing the work of the audit committee

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the Group and industry in which they operate. We determined that the following laws and regulations were most significant: IFRS, Companies Act 2006, UK Corporate governance code 2018 and the relevant tax compliance regulations in the multiple jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to employee matters;
- We obtained an understanding of the Group's policies and procedures implemented to prevent and detect non-compliance with laws and regulations by inquiry with management, those responsible for legal and compliance procedures including the company secretary. We corroborated our inquiries through our reading of board meeting minutes;
- We assessed the susceptibility of the parent company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team and component auditors included:
 - identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud and the adequacy of procedures for authorisation of transactions and internal review procedures;
 - challenging assumptions and judgements made by management in its significant accounting estimates, including utilisation of valuation specialists to review management's impairment calculation; and
 - identifying and testing journal entries, in particular large or unusual journals.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- It is the engagement partner's assessment that the audit team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations based on understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Use of our report

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

Nicholas Page

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
15 March 2022

Financial Statements

and Notes to the
Financial Statements

FINANCIAL STATEMENTS CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

		Group	
	Note	2021 £000	2020 £000
Revenue	5	81,216	73,663
Direct operating expenses	6	(45,858)	(43,861)
Sales and marketing expenses		(8,824)	(8,112)
Administrative expenses		(13,892)	(14,561)
Share of loss of equity accounted investment	16	(1,061)	-
Adjusted operating profit	4	16,260	10,885
Acquisition integration costs		-	(10)
Amortisation of acquisition related intangible assets	14	(2,891)	(2,507)
Share based payment charge	8, 22	(727)	(1,239)
Share of loss of equity accounted investment	16	(1,061)	-
Operating profit		11,581	7,129
Finance income	7	19	9
Finance costs	7	(673)	(746)
Profit before tax		10,927	6,392
Tax (charge)/credit (including R&D tax credit of £324,000 (2020: £248,000))	10	(1,366)	647
Profit for the year		9,561	7,039
Earnings per share			
Earnings per share (basic)	12	22.4p	16.9p
Earnings per share (diluted)	12	21.7p	16.7p

The accompanying Notes form an integral part of this Consolidated Income Statement.

FINANCIAL STATEMENTS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Group	
	Note	2021 £000	2020 £000
Profit for the year attributable to:			
Equity holders of the parent		9,561	7,039
Profit for the year		9,561	7,039
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		279	(358)
Fair value gain/(loss) on interest rate swap	23	763	(519)
Deferred tax (charge)/credit on interest rate swap	11	(151)	96
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments through other comprehensive income	16	(2,470)	-
Other comprehensive expense for the year		(1,579)	(781)
Total comprehensive income for the period attributable to:			
Equity holders of the parent		7,982	6,258
Total comprehensive income for the year		7,982	6,258

The accompanying Notes form an integral part of this Consolidated Statement of Comprehensive Income.

FINANCIAL STATEMENTS CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2021

Group	Issued capital	Share premium	Treasury shares	Merger reserve	Translation reserve	Cashflow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2020	421	9,102	(660)	10,343	(679)	-	17,742	36,269
Contributions and distributions:								
Purchase of own shares	-	-	(1,672)	-	-	-	-	(1,672)
Issue of shares out of treasury	-	-	436	-	-	-	(429)	7
Dividends paid	-	-	-	-	-	-	(830)	(830)
Share based payment charge (Note 22)	-	-	-	-	-	-	1,239	1,239
Deferred tax credit on share based payment transactions	-	-	-	-	-	-	119	119
Transaction with owners	-	-	(1,236)	-	-	-	99	(1,137)
Profit for the year	-	-	-	-	-	-	7,039	7,039
Other comprehensive income items that will or may be reclassified to profit or loss:								
Transfer of cash flow hedge reserve from retained earnings	-	-	-	-	-	(115)	115	-
Fair value loss on interest rate swap	-	-	-	-	-	(519)	-	(519)
Exchange differences on translating foreign operations	-	-	-	-	(358)	-	-	(358)
Deferred tax credit on interest rate swap	-	-	-	-	-	96	-	96
Total comprehensive income for the year	-	-	-	-	(358)	(538)	7,154	6,258
Balance at 31 December 2020	421	9,102	(1,896)	10,343	(1,037)	(538)	24,995	41,390

The accompanying Notes form an integral part of this Consolidated Statement of Changes in Shareholders' Equity.

FINANCIAL STATEMENTS CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2021

Group	Issued capital	Share premium	Treasury Stock	Merger reserve	Translation reserve	Cashflow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2021	421	9,102	(1,896)	10,343	(1,037)	(538)	24,995	41,390
Contributions and distributions:								
Purchase of own shares	-	-	(562)	-	-	-	-	(562)
Issue of shares out of treasury stock	-	-	1,216	-	-	-	(1,211)	5
Dividends paid	-	-	-	-	-	-	(1,642)	(1,642)
Share based payment charge (Note 22)	-	-	-	-	-	-	727	727
Deferred tax credit on share based payment transactions	-	-	-	-	-	-	619	619
Share placement	41	17,732	-	-	-	-	-	17,773
Transactions with owners	41	17,732	654	-	-	-	(1,507)	16,920
Profit for the year	-	-	-	-	-	-	9,561	9,561
Other comprehensive income items that will or may be reclassified to profit or loss:								
Fair value gain on interest rate swap	-	-	-	-	-	763	-	763
Exchange differences on translating foreign operations	-	-	-	-	279	-	-	279
Deferred tax charge on interest rate swap	-	-	-	-	-	(151)	-	(151)
Other comprehensive income items that will not be reclassified to profit or loss:								
Changes in the fair value of equity investments through other comprehensive income	-	-	-	-	-	-	(2,470)	(2,470)
Total comprehensive income for the period	-	-	-	-	279	612	7,091	7,982
Balance at 31 December 2021	462	26,834	(1,242)	10,343	(758)	74	30,579	66,292

FINANCIAL STATEMENTS COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2021

Company	Issued capital £000	Share premium £000	Treasury shares £000	Merger reserve £000	Retained earnings £000	Total Equity £000
Balance at 1 January 2020	421	9,102	(660)	10,343	35,796	55,002
Contributions and distributions						
Purchase of own shares	-	-	(1,672)	-	-	(1,672)
Issue of shares out of treasury	-	-	436	-	(429)	7
Dividends paid	-	-	-	-	(830)	(830)
Share based payment charge (Note 22)	-	-	-	-	1,239	1,239
Deferred tax credit on share based payment transactions	-	-	-	-	9	9
Transactions with owners	-	-	(1,236)	-	(11)	(1,247)
Profit and total comprehensive income for the year	-	-	-	-	4,729	4,729
Balance at 31 December 2020	421	9,102	(1,896)	10,343	40,514	58,484
Balance at 1 January 2021	421	9,102	(1,896)	10,343	40,514	58,484
Contributions and distributions						
Purchase of own shares	-	-	(562)	-	-	(562)
Issue of shares out of treasury	-	-	1,216	-	(1,211)	5
Dividends paid	-	-	-	-	(1,642)	(1,642)
Share based payment charge (Note 22)	-	-	-	-	727	727
Deferred tax charge on share based payment transactions	-	-	-	-	(18)	(18)
Share placement	41	17,732	-	-	-	17,773
Transactions with owners	41	17,732	654	-	(2,144)	16,283
Profit for the year	-	-	-	-	219	219
Other comprehensive income items that will not be reclassified to profit or loss						
Changes in the fair value of equity investments through other comprehensive income	-	-	-	-	(2,470)	(2,470)
Total comprehensive income for the period	-	-	-	-	(2,251)	(2,251)
Balance at 31 December 2021	462	26,834	(1,242)	10,343	36,119	72,516

The accompanying Notes form an integral part of this Company Statement of Changes in Shareholders' Equity.

FINANCIAL STATEMENTS CONSOLIDATED AND COMPANY BALANCE SHEET

As at 31 December 2021

	Note	Company		Group	
		2021 £000	2020 £000	2021 £000	2020 £000
Assets					
Non-current assets					
Acquisition related intangible assets	14	-	-	13,359	10,514
Goodwill	14	-	-	14,360	13,657
Property, plant and equipment	15	33	98	23,384	23,809
Investments	16	60,224	50,179	9,239	-
Derivative financial instruments	3	-	-	129	-
Deferred tax assets	11	-	34	2,120	1,322
		60,257	50,311	62,591	49,302
Current assets					
Inventories	17	-	-	2,454	1,263
Trade and other receivables	18	12,452	10,975	12,208	10,784
Current tax assets		-	-	1,493	1,627
Cash and cash equivalents – Client registration funds	19	-	-	2,874	2,015
Cash and cash equivalents – Group cash	19	20,091	11,423	34,315	27,059
		32,543	22,398	53,344	42,748
Total assets		92,800	72,709	115,935	92,050
Liabilities					
Current liabilities					
Trade and other payables	20	20,284	14,225	30,042	26,365
Current tax liabilities		-	-	776	394
Provisions	21	-	-	677	678
Borrowings	23	-	-	1,200	1,200
Lease liabilities	24	-	-	1,153	1,247
		20,284	14,225	33,848	29,884

FINANCIAL STATEMENTS CONSOLIDATED AND COMPANY BALANCE SHEET

As at 31 December 2021

	Note	Company		Group	
		2021 £000	2020 £000	2021 £000	2020 £000
Non-current liabilities					
Provisions	21	-	-	603	659
Borrowings	23	-	-	14,123	15,307
Lease liabilities	24	-	-	400	1,038
Derivative financial instruments	3	-	-	-	634
Deferred tax liabilities	11	-	-	669	3,138
		-	-	15,795	20,776
Total liabilities		20,284	14,225	49,643	50,660
Net assets		72,516	58,484	66,292	41,390
Shareholders' equity					
Share capital	22	462	421	462	421
Share premium		26,834	9,102	26,834	9,102
Treasury shares		(1,242)	(1,896)	(1,242)	(1,896)
Merger reserve		10,343	10,343	10,343	10,343
Translation reserve		-	-	(758)	(1,037)
Cash flow hedge reserve		-	-	74	(538)
Retained earnings		36,119	40,494	30,579	24,995
Total equity		72,516	58,484	66,292	41,390

The Company's profit for the year was £219,000 (2020: £4,729,000).

The Financial Statements were approved by the Board of Directors and signed on its behalf by:

Martyn Ratcliffe Executive Chair

Jon Brett Finance Director

On 15 March 2022

The accompanying Notes form an integral part of this Consolidated and Company Balance Sheet.
The Company's registered number is 06536543.

FINANCIAL STATEMENTS CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	Company		Group	
		2021 £000	2020 £000	2021 £000	2020 £000
Profit before income tax		219	4,729	10,927	6,392
Adjustments for:					
Share of loss of equity accounted investment	16	1,061	-	1,061	-
Amortisation of acquisition related intangible assets	14	-	-	2,891	2,507
Depreciation of property, plant and equipment	15	65	67	719	904
Impairment of right-of-use assets	15	-	-	-	513
Depreciation of right-of-use assets	15	-	-	794	1,067
Loss on disposal of property, plant and equipment		-	-	-	7
Net interest cost	7	294	1	654	737
Share based payment charge	8	(61)	54	727	1,239
(Increase)/decrease in inventories		-	-	(1,047)	394
Increase in receivables		(1,773)	(492)	(1,385)	(546)
Increase in payables representing client registration funds		-	-	859	498
Increase in payables excluding balances representing client registration funds		6,060	8,419	2,494	5,976
Changes in provisions		-	-	(76)	735
Cash generated from operations		5,865	12,778	18,618	20,423
Interest paid		-	-	(646)	(753)
UK corporation tax paid		-	-	(3,018)	(1,799)
Foreign corporation tax paid		-	-	(940)	(184)
Cash flows from operating activities		5,865	12,778	14,014	17,687
Interest (paid)/received		(1)	1	3	9
Purchase of property, plant and equipment	15	-	-	(544)	(143)
Purchase of intellectual property	14	-	-	(4,315)	-
Purchase of interest in associated company	16	(12,770)	(1,605)	(12,770)	-
Purchase of subsidiary undertakings, net of cash acquired	25	-	-	(1,455)	-
Cash flows used in investing activities		(12,771)	(1,604)	(19,081)	(134)

FINANCIAL STATEMENTS CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	Company		Group	
		2021 £000	2020 £000	2021 £000	2020 £000
Issue of shares out of treasury		5	7	5	7
Share placement		17,773	-	17,773	-
Repurchase of own shares		(562)	(1,672)	(562)	(1,672)
Dividends paid	13	(1,642)	(830)	(1,642)	(830)
Proceeds of bank loan received		-	-	-	1,500
Repayment of term loan	23	-	-	(1,200)	(1,200)
Payment of lease liabilities	24	-	-	(1,297)	(1,339)
Cash flows from financing activities		15,574	(2,495)	13,077	(3,534)
Increase in cash and cash equivalents in the year		8,668	8,679	8,010	14,019
Cash and cash equivalents at the beginning of the year		11,423	2,744	29,074	15,429
Exchange gain/(loss) on cash		-	-	105	(374)
Cash and cash equivalents at the end of the year	19	20,091	11,423	37,189	29,074

Cash and cash equivalents are analysed as follows:

	Note	Group	
		2021 £000	2020 £000
Cash and cash equivalents – Client registration funds	19	2,874	2,015
Cash and cash equivalents – Group cash	19	34,315	27,059
		37,189	29,074

The accompanying Notes form an integral part of this Consolidated and Company Statement of Cash Flows.

1. General information

Science Group plc (the 'Company') together with its subsidiaries ('Science Group' or the 'Group') is an international science, technology and consulting organisation, supported by a strong balance sheet.

The Group and Company Financial Statements of Science Group plc were prepared under the International Financial Reporting Standards ('IFRS') as adopted by the UK in conformity with the requirements of the Companies Act 2006 and have been audited by Grant Thornton UK 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 on 31 December 2021, was 455.0 pence per share (31 December 2020: 280.0 pence per share).

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 15 March 2022.

Alternative performance measures

The Group uses alternative non-Generally Accepted Accounting Practice performance measures of 'adjusted operating profit', 'adjusted earnings per share' and 'net funds' which are not defined within IFRS. These are explained as follows:

(a) Adjusted Operating Profit

The Group calculates this measure by adjusting to exclude certain items from operating profit namely: amortisation of acquisition related intangible assets, acquisition integration costs, share based payment charges and other specified items that meet the criteria to be adjusted.

The criteria for the adjusted items in the calculation of adjusted operating profit is operating income or expenses that are material and either arise from an irregular and significant event or the income/cost is recognised in a pattern that is unrelated to the resulting operational performance. Materiality is defined as an amount which, to a user, would influence the decision making. Acquisition integration costs include all costs incurred directly related to the restructuring, relocation and integration of acquired businesses. Adjustments for share based payment charges occur because: once the cost has been calculated, the Directors cannot influence the share based payment charge incurred in subsequent years; it is understood that many investors/analysts exclude the cost from their valuation analysis of the business; and the value of the share option to the employee differs considerably in value and timing from the actual cash cost to the Group.

The calculation of this measure is shown on the Consolidated Income Statement.

(b) Adjusted Earnings Per Share

The Group calculates this measure by dividing adjusted profit after tax by the weighted average number of shares in issue and the calculation of this measure is disclosed in Note 12. The tax rate applied to calculate the tax charge in this measure is the tax at the blended corporation tax rate across the various jurisdictions rate for the year which is 22.0% (2020: 20.4%) which results in a comparable tax charge year on year.

(c) Net Funds

The Group calculates this measure as the net of cash and cash equivalents – Group cash and Borrowings. Client registration funds are excluded from this calculation because these monies are pass through funds held on behalf of the client solely for the purpose of payment of registration fees to regulatory bodies and for which no revenue is recognised. This cash is not available for use in day-to-day operations. This measure is calculated as follows:

		Group	
	Note	2021 £000	2020 £000
Cash and cash equivalents – Group cash	19	34,315	27,059
Borrowings	23	(15,323)	(16,507)
Net funds		18,992	10,552

1. General information (continued)

Alternative performance measures (continued)

The Directors believe that disclosing these alternative performance measures enhances shareholders' ability to evaluate and analyse the underlying financial performance of the Group. Specifically, the adjusted operating profit measure is used internally in order to assess the underlying operational performance of the Group, aid financial, operational and commercial decisions and in determining employee compensation. The adjusted EPS measure allows the shareholder to understand the underlying value generated by the Group on a per share basis. Net funds represent the Group's cash available for day-to-day operations and investments. As such, the Board considers these measures to enhance shareholders' understanding of the Group results and should be considered alongside the IFRS measures.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated and Company financial statements of Science Group have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments at fair value. The financial statements are prepared under IFRS as adopted by the UK in conformity with the requirements of the Companies Act 2006.

Of the new standards and interpretations effective for the year ended 31 December 2021, there was no impact on the presentation of the financial statements of Science Group.

No income statement is presented for the Company as provided by Section 408 of the Companies Act 2006. The Company's profit for the financial period after tax, determined in accordance with the Act, was £219,000 (2020: £4,729,000).

Going concern

The Directors have considered the current cash balance of £34.3 million (excluding client registration funds) and assessed forecast future cash flows for the next 12 months. There are no events or conditions which cast significant doubt on the ability of the Group to continue as a going concern. In support, as explained in the Statement of Executive Chair, the Group revenue and operating profit grew year on year and cash generated from operations was £18.6 million during the year ended 31 December 2021. The Group ended the year with net funds of £19.0 million, and with the new and undrawn Revolving Credit Facility ('RCF') of £25.0 million. The Directors are satisfied that the Group has adequate cash and financing resources to continue in operational existence for the foreseeable future, being a period of at least a year following the approval of the accounts and therefore continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

2.2 Changes in accounting policies

The accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

2.3 Standards, IFRICs and other guidance applicable

Standards and IFRICs newly applicable for companies with 31 December 2021 year ends are set out below, together with any noted impact on the Group.

Number	Title	Impact in year
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	No material impact
Amendments to IFRS16	COVID 19-related rent concessions beyond 30 June 2021	No concessions received

2.4 Standards issued but not yet effective

At the date of authorisation of these Consolidated Financial Statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's Financial Statements.

2. Summary of significant accounting policies (continued)

2.4 Standards issued but not yet effective (continued)

Number	Title	Effective
IAS 16 (amendments)	Proceeds before Intended Use	1-Jan-22
IAS 37 (amendments)	Onerous contracts – Cost of fulfilling a contract	1-Jan-22
IFRS 1, IFRS 9, IFRS 16, IAS 41 (amendments)	Annual Improvements to IFRS Standards 2018-2020 Cycle	1-Jan-22
IAS 1 (amendments)	Classification of Liabilities as Current or Non-current	1-Jan-23
IAS 12 (amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1-Jan-23
IFRS3 (amendments)	Reference to the Conceptual Framework – business combinations	1-Jan-22

2.5 Basis of consolidation

The basis of consolidation is set out below:

Subsidiaries – Subsidiaries are entities controlled by Science Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Investment in subsidiaries – In the Company accounts, investments in subsidiaries are stated at cost less any provision for impairment where appropriate.

Business combinations – The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred or assumed in exchange for control. The acquired Company's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date. Acquisition expenses are expensed as incurred.

Interests in equity-accounted investees – Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at fair value, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence ceases. The carrying value of the associate investment would not be impaired to the extent it is exceeded by the share of accumulated losses in associate.

2.6 Segment reporting

Under IFRS 8, the accounting policy for identifying segments is based on the internal management reporting information that is regularly reviewed by the Chief Operating Decision Makers ('CODMs'), being the Executive Board. The CODMs monitor the

performance of these operating segments as well as deciding on the allocation of resources to them.

The Group results are presented across 3 reporting segments: Services Operating Business, Product Operating Business, Freehold Properties. Corporate costs, including the PLC costs and one-off costs relating to M&A activity, are not allocated to the segments and are reported separately. This provides transparency and facilitates shareholder analysis of the component parts of the Group.

2.7 Intangible assets

All intangible assets, except goodwill, are stated at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill – Goodwill represents the amount by which the fair value of the cost of a business combination exceeds the fair value of net assets acquired. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

The recoverable amount of goodwill is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. Impairment charges are deducted from the carrying value and recognised immediately in profit or loss. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2. Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

Acquisition related intangible assets – Net assets acquired as part of a business combination includes an assessment of the fair value of separately identifiable acquisition related intangible assets, in addition to other assets, liabilities and contingent liabilities purchased. These are amortised over their useful lives which are individually assessed. The estimated useful economic life for acquired intangible assets, customer contracts and relationships is between 5 and 12 years. The assets are assessed on an annual basis for impairment and amortised over its remaining economic useful life.

2.8 Research and development expenditure

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Any tax credit receivable under the either the R&D Expenditure Credit scheme or the Small or Medium-sized scheme is recognised within income tax.

2.9 Property, plant and equipment

Land and buildings as shown in the Notes to the Financial Statements comprise offices and laboratories at Harston Mill, Harston, Cambridge, UK and at Great Burgh, Epsom, UK. Land and buildings are shown at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefit associated with the item will flow to Science Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on all other property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings	25 years
Furniture and fittings	3-5 years
Equipment	3 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount, when an indicator of impairment is identified. Gains

and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and on demand deposits, together with short term, liquid investments that are readily convertible to a known amount of cash and that are subject to a minimal risk of changes in value. Cash that is held on behalf of the client that is solely for the purpose of payment of product registration fees to regulatory bodies is separately identified.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs includes all cost incurred in bringing each product to its present location and condition, which comprises the cost of direct materials and third-party charges. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

2.12 Trade and other receivables

Trade and other receivables are carried at original invoice amount and are subsequently held at amortised cost less provision for impairment. The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. The movement in the provision is recognised in the Consolidated Income Statement.

2.13 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Dilapidation provisions are recognised when the Group has an obligation to rectify, repair or reinstate a leased premises to a certain condition in accordance with the lease agreement. The provision is measured at the present value of the estimated cost of rectifying, repairing, or reinstating the leased premises at a specified future date.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

2. Summary of significant accounting policies (continued)

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

In order to address interest rate risk, the Group has entered into phased interest rate swaps in order to fully hedge the loan borrowings. Hedge effectiveness is determined at inception of the hedge relationship and at every reporting period end through the assessment of the hedged items and hedging instrument to determine whether there is still an economic relationship between the two. The critical terms of the interest rate swaps entered exactly match the terms of the terms of the hedged item. As such the economic relationship and hedge effectiveness are based on the qualitative factors and the use of a hypothetical derivative where appropriate.

Hedge ineffectiveness may arise where the critical terms of the forecast transaction no longer meet those of the hedging instrument, however the hedged items and the hedging instrument relationship matches one to one. All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position. To the extent the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss. At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

2.16 Financial instruments

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- (i) those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- (ii) those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

(b) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- (i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired.
- (ii) Fair value through other comprehensive income ('FVOCI'): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.
- (iii) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

2. Summary of significant accounting policies (continued)

2.16 Financial instruments (continued)

(b) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group recognises loss allowances for expected credit losses ('ECLs') on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at

FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases the Company's equity share capital into treasury (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued, or disposed of. Where such shares are subsequently sold or reissued, including settlement of employee share incentive obligations, any consideration received, net of any directly attributable incremental transaction costs, and the related income tax effects are included in equity attributable to the Company's equity holders. The credit for proceeds received is restricted to the purchase price of the treasury shares with the difference between prices paid for treasury shares and proceeds received taken to share premium. Where such shares are subsequently cancelled, the movement is recognised directly in equity with no gain or loss recognised in profit or loss.

2.18 Revenue recognition

The Services Operating Business segment provides consultancy services to clients across the Medical, Food & Beverage and Industrial markets. The Product Operating Business segment sells chips and modules used in digital and SmartRadios to factory suppliers of the consumer electronics market.

To determine whether to recognise revenue, the Group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

2. Summary of significant accounting policies (continued)

2.18 Revenue recognition (continued)

(a) Services revenue

Revenue from providing services is recognised in the accounting period in which the services are rendered. The majority of projects are priced on a time and materials basis and the revenue for these projects is recognised based on the actual labour hours spent at the contractual fee rates.

Performance obligations are linked to the reports supplied to the client, where work is billed in an agreed fee rate context, so that clients are able to specifically review work performed.

For the few fixed-price project contracts, revenue is recognised based on the proportion of deliverables provided to the client with an adjustment if the project is forecast to overrun.

Revenue is measured and recognised using the contractual fee rates of the project. Estimates of revenues or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of both time and materials and fixed-price contracts, the customer pays for the value of services provided based on an invoicing and payment schedule. If the services rendered by the Group at the reporting date exceed the payments received to date, a contract asset is recognised (within trade receivables if the sales invoice has been raised or amounts recoverable on contracts if the services rendered have not been invoiced). If the payments exceed the services rendered, a contract liability is recognised. In the majority of cases, customers are invoiced on a monthly basis however this varies when appropriate to take into account credit limits, payment terms and operational efficiencies. Consideration is payable when invoiced based on contractual payment terms.

The Group earns revenue from design services on either a fixed cost or time and materials basis. These projects tend to be short term in nature and the revenue is recognised over time, as the Group delivers services to its customers and at a point of time when the performance obligation is satisfied by transferring promised goods to its customers.

The Group receives cash from clients which are pass through funds solely for the purpose of payment of registration fees to regulatory bodies and for which no revenue is recognised.

(b) Subscription income

Subscription income for membership services provided over an annual contractual period is recognised in the income statement on a straight-line basis over the period of the contract.

(c) Product and associated revenue

Revenue is recognised upon the transfer of control of promised products or services and for the majority of revenue, transfer of control occurs once the product has shipped. For a few of

the products, ongoing IT infrastructure services are provided over a period of time in order for the consumer to use the full functionality of the end product. When such services have been identified as both capable of being distinct and separately identifiable from the related tangible product, the associated revenue allocated to such services is recognised over time.

Where there are separate performance obligations in a contract (being the product and the ongoing IT infrastructure services), it has been determined that directly observable prices do not exist for these performance obligations, therefore the transaction price is calculated as the expected cost plus a margin. Where there is a residual balance between the calculated transaction prices and the total transaction price to the customer, the balance is allocated across the performance obligations in proportion to their relative value.

Revenue is allocated to the performance obligation based on the performance obligation's standalone selling price.

Revenue is recorded net of sales tax and relevant sales incentives when the performance conditions are met. Sales incentives are rebates offered to customers and paid based on total sales made to respective customers each year. The rebates are estimated on a regular basis by using the most likely amount method. The rebates will be accrued only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. To the extent unpaid, the rebate liability is presented under accruals.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as trade and other payables in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or receivable in its statement of financial position.

2.19 Foreign currency

(a) Functional and presentation currency – Items included in the financial statements of each of Science Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in Sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances – Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

In respect of translation differences on non-monetary items, items held at cost are translated at the exchange rate at the date of transaction.

2. Summary of significant accounting policies (continued)

2.19 Foreign currency (continued)

(c) Group companies – The results and financial position of all Science Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- (iii) all resulting exchange differences are recognised as a separate component of equity; and
- (iv) on disposal of a foreign subsidiary the accumulated translation differences recognised in equity are reclassified to profit and loss and recognised as part of the gain or loss on disposal.

2.20 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes in TSG Iberia, TSG Germany and TSG France and Shenzhen and Taiwan are based on government schemes and funded through social security payments. The other schemes are generally funded through payments to insurance companies based on a percentage of salary earned, currently ranging between 7% and 8%. These are defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into publicly or privately administered pension insurance plans. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

TSG Inc. provides 401(k) pension benefits to its employees. TSG Canada provides registered retirement savings plan pension benefits to its employee. The Group has no further payment obligations once the contributions have been paid.

(b) Share based compensation

Science Group operates an equity-settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, as calculated by using an appropriate valuation

method. The Black-Scholes model excludes the impact of any non-market vesting conditions (for example profitability and sales growth targets). The Monte Carlo and Binomial Option Pricing models build in any market performance conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The share based compensation charge in the Company accounts is based only on those option holders employed directly by the Company.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Science Group recognises termination benefits at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognises any related restructuring costs.

(d) Profit-sharing and bonus plans

Science Group recognises a liability and an expense for bonuses and/or profit-sharing, based on the incentive plans approved by the Remuneration Committee. Science Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) Sales commission

Science Group operates a sales commission scheme for relevant sales staff. A liability and expense is recognised based on sales made by employees who are eligible for the scheme, and is calculated using the commission scheme rules. Sales commission is typically paid quarterly. As the amortisation period of such costs, if capitalised, would be less than one year, the Group makes use of the practical expedient in IFRS 15 and expenses them as incurred.

2.21 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income, or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Income tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws of the relevant countries that have been enacted or substantively enacted by the balance sheet date.

2. Summary of significant accounting policies (continued)

2.21 Taxation (continued)

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from goodwill, the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by Science Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.22 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

(a) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and

equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

2. Summary of significant accounting policies (continued)

2.22 Leases (continued)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of

the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

2.23 Dividends paid

Dividends are recognised as a liability in the period in which the shareholders' right to receive payment has been established.

2.24 Dividend income

Dividend income is recognised when the Company's right to receive payment is established.

3. Financial risk management

3.1 Financial risk factors

Science Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest risk), credit risk, liquidity risk and cash flow interest rate risk. Science Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Science Group's financial performance. Science Group uses derivative financial instruments to hedge certain risk exposures.

(a) Foreign currency sensitivity

Science Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities.

To manage the Group's foreign exchange risk arising from commercial transactions, recognised assets and liabilities, entities in Science Group may use forward contracts and other instruments. Foreign exchange risk arises when commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group finance function is responsible for managing the net position in each foreign currency primarily by selling monies held in currency into GBP on a regular basis. At present, forward exchange contracts are not used.

Science Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Foreign currency denominated financial assets and liabilities, translated into GBP at the closing rate, are as follows:

2021 £000	US Dollar	Euro	Other	Total
Financial assets	11,886	984	342	13,212
Financial liabilities	(3,775)	(227)	(258)	(4,260)
Exposure	8,111	757	84	8,952
2020 £000	US Dollar	Euro	Other	Total
Financial assets	9,900	1,373	302	11,575
Financial liabilities	(4,250)	(284)	(475)	(5,009)
Exposure	5,650	1,089	(173)	6,566

All foreign currency denominated financial assets and liabilities are classified as current.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign currency sensitivity (continued)

The following table illustrates the sensitivity of the net movement on income statement and equity in regard to Science Group's financial assets and financial liabilities and the US Dollar/GBP exchange rate and Euro/GBP exchange rate. It assumes a 10% change of the GBP/US Dollar exchange rate as at 31 December 2021 (2020: +/-10.0%). A 10% change is considered for the GBP/Euro exchange rate (2020: +/-10.0%). If the GBP had strengthened against the US Dollar and Euro by 10% (2020: 10.0%) respectively then this would have had the following impact:

2021 £000	US Dollar	Euro	Other	Total
Income statement	(254)	(74)	-	(328)
Equity	(1,302)	(57)	(56)	(1,415)
2020 £000	US Dollar	Euro	Other	Total
Income statement	(144)	(99)	-	(243)
Equity	(498)	(72)	(39)	(609)

For a 10.0% weakening of GBP against the relevant currency, there would be a comparable but opposite impact on the income statement and equity.

The Company held no financial assets or liabilities in foreign currencies at the start or end of the year.

The actual currency rate movement against the US Dollar and Euro at year end compared to the previous year end was -0.9% (2020: +3.0%) and 6.5% (2020: -5.4%). Exposures to foreign exchange rates vary during the year depending on the volume and value of overseas transactions.

(b) Interest rate risk

Science Group manages its longer-term cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, Science Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if Science Group borrowed at fixed rates directly. Under the interest rate swaps, Science Group agrees with other parties to exchange, at specified intervals (typically quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Science Group's bank borrowings and its interest rate profile are as follows:

Group	2021 £000	2020 £000
Pound Sterling – bank loan	15,400	16,600
Weighted average interest rate		
Pound Sterling – fixed rate bank loan	3.53%	3.53%
Pound Sterling – floating rate bank loan	LIBOR+2.6%	LIBOR+2.6%

For benchmark rates of interest, Science Group refers to LIBOR. The bank loan is secured via a fixed charge over certain assets of Science Group and is repayable as disclosed in Note 23. Terms and conditions of the interest rate swaps are as disclosed in Note 23. The interest rate swaps mature in accordance with the repayment profile of the loan: £0.8 million matures in September 2022, £3.0 million in September 2025 and the balance of £11.6 million in September 2026.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Credit risk analysis

Science Group has policies in place to ensure that sales are made to clients with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions although counterparty risk is not negligible. Science Group has policies that limit the amount of credit exposure to any financial institution.

Science Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	Note	Company		Group	
		2021 £000	2020 £000	2021 £000	2020 £000
Cash and cash equivalents – Group cash	19	20,091	11,423	34,315	27,059
Cash and cash equivalents – Client registration funds	19	-	-	2,874	2,015
Trade and other receivables (excluding VAT and prepayments)	18	11,999	10,642	10,636	9,249
		32,090	22,065	47,825	38,323

Science Group monitors defaults of customers and other counterparties identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Science Group's policy is to deal only with creditworthy counterparties or to require settlement in advance, although there can be no certainty that counterparty creditworthiness will be maintained. Cash balances are held with more than one creditworthy institution.

Management reviews the credit status of the financial institutions with whom it holds its deposits.

Science Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

An analysis of trade and other receivables that are considered to be impaired are disclosed in Note 18.

None of Science Group's financial assets are secured by collateral or other credit enhancements.

(d) Liquidity risk analysis

Science Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a weekly and monthly basis. Long-term liquidity needs for a quarterly and semi-annual period are reviewed monthly.

Science Group maintains cash to meet its liquidity requirements in interest bearing current accounts.

As at 31 December 2021, Science Group's financial liabilities have contractual cashflows and maturities as below:

2021	Note	Current		Non-current	
		< 6 months £000	6 to 12 months £000	1 to 5 years £000	> 5 years £000
Bank borrowings	23	600	600	4,800	9,400
Interest on bank borrowings		259	253	1,469	86
Trade payables	20	2,591	-	-	-
Accruals	20	8,820	-	-	-
		12,270	853	6,269	9,486

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk analysis (continued)

This compares to the maturity of Science Group's financial liabilities in the previous reporting period as follows:

2020	Note	Current		Non-current	
		< 6 months £000	6 to 12 months £000	1 to 5 years £000	> 5 years £000
Bank borrowings	23	600	600	4,800	10,600
Interest on bank borrowings		280	274	1,803	264
Trade payables	20	2,728	-	-	-
Accruals	20	8,447	-	-	-
		12,055	874	6,603	10,864

(e) Summary of financial assets and liabilities by category

The carrying amounts of Science Group's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

	Note	Company		Group	
		2021 £000	2020 £000 Restated	2021 £000	2020 £000
Financial assets:					
- Trade receivables	18	-	-	9,331	8,084
- Other receivables	18	11,999	10,642	1,305	1,165
- Cash and cash equivalents - Client registration funds	19	-	-	2,874	2,015
- Cash and cash equivalents - Group cash	19	20,091	11,423	34,315	27,059
		32,090	22,065	47,825	38,323
Financial liabilities:					
- Non-current borrowings	23	-	-	14,123	15,307
- Current borrowings	23	-	-	1,200	1,200
- Trade payables	20	71	76	2,591	2,778
- Other payables	20	19,076	13,665	-	-
- Accruals	20	1,038	484	8,820	8,447
		20,185	14,225	26,734	27,682
Derivatives used for hedging held at fair value:					
- Financial instruments asset/(liability)		-	-	129	(634)

The fair value of Science Group's financial assets and liabilities is not materially different from the carrying value.

Restatement: The prior year financial liabilities for the Company only have been restated to include 'amounts owed to Group undertakings' in other payables.

3.2 Fair value estimation

Financial assets and liabilities measured at fair value in the balance sheet are grouped into three levels based on the significance used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- level 2 - inputs other than quoted market prices included within level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- level 3 - input for the asset or liability that are not based on observable market data (unobservable inputs)

3. Financial risk management (continued)

3.2 Fair value estimation (continued)

The level within which the financial asset or liability is determined is based on the lowest level of significant input to the fair value measurement.

The Group has measured the interest rate swap at fair value under level 2 and this is in 'derivative financial instruments' in the statement of financial position.

The Group's finance team performs valuations of financial items for financial reporting purposes in consultation with third party valuation specialists for complex valuations (e.g. acquired assets and liabilities).

3.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital and to provide funds for merger and acquisition activity.

The Group primarily views its capital as being its shareholders' funds, net funds (being gross cash less borrowings) and the freehold properties at Harston Mill and Great Burgh.

	Note	Group	
		2021 £000	2020 £000
Total shareholders' funds		66,292	41,390
Net funds	1	18,992	10,552
Freehold property at Harston Mill		12,900	12,995
Freehold property at Great Burgh		8,091	8,174

Shareholders' funds

In 2021 Sagentia Limited paid a dividend distribution of £3.5 million, Oakland Innovation Limited paid a dividend distribution of £1.0 million and Technology Sciences Group Limited paid a dividend distribution of £0.5 million to Science Group plc.

In 2020 Sagentia Limited paid a dividend distribution of £3.0 million, OTM Consulting Ltd paid a dividend distribution of £0.5 million, Oakland Innovation Limited paid a dividend distribution of £2.0 million and Technology Sciences Group Limited paid a dividend distribution of £1.2 million to Science Group plc.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Board will recommend the payment of a dividend of 5.0 pence per share at the forthcoming AGM. The Board anticipates recommending a single dividend being paid each year.

Net funds

The net funds of the Group have increased by £8.4 million in 2021 (2020: increased by £12.9 million) as set out in the Net Funds Movement in Note 1 (c).

Details of the Group's borrowings are set out in Note 23 which summarises the terms of the loan and interest rate swap arrangement.

Freehold property

Details of freehold property and related rental income are set out in Note 15.

4. Segment information

The Group's segmental reporting shows the performance of the operating businesses separately from the value generated by the Group's significant freehold property assets and the Corporate costs. The Services Operating Business consists of two divisions: firstly, (i) R&D Consultancy, and (ii) Regulatory & Compliance. Financial information is provided to the Chief Operating Decision Makers ('CODMs') in line with this structure: the divisions and service lines in the Services Operating Businesses; the Product Operating Business (Frontier); the Freehold Properties and Corporate costs.

The Services Operating divisions (including the service lines) have been aggregated resulting in one Services Operating Business segment because the divisions and the services they provide have similar economic characteristics such as similar long-term average gross margins, trends in sales growth and operating cash flows and are also similar in respect of their nature, delivery and types of customers that the services are provided to. This aggregation does not the impact the user's ability to understand the entity's performance, its prospects for future cash flows or the user's decisions about the entity as a whole as it is a fair representation of the performance of each service line.

Services Operating Business revenue includes all consultancy fees and other revenue includes recharged materials and expenses relating directly to the Services Operating Business activities. Product Operating Business revenue includes sales of chips and modules which are incorporated into digital radios. The Freehold Properties segment includes the results for the two freehold properties owned by the group. Income is derived from third party tenants from the Harston Mill site and from the Services and Product Operating Businesses which have been charged fees equivalent to market-based rents for their utilised property space and associated costs. Corporate costs include PLC/Group costs.

The segmental analysis is reviewed to operating profit. Other resources are shared across the Group.

Services Operating Business	2021	2020
	Total	Total
	£000	£000
Services revenue	52,879	48,198
Other	2,840	4,077
Revenue	55,719	52,275
Adjusted operating profit	14,122	9,068
Amortisation of acquisition related intangible assets	(1,495)	(1,513)
Share based payment charge	(502)	(946)
Operating profit	12,125	6,609
Product Operating Business	2021	2020
	£000	£000
Product revenue	24,936	20,540
Revenue	24,936	20,540
Adjusted operating profit	5,156	3,245
Acquisition integration costs	-	(10)
Amortisation of acquisition related intangible assets	(1,396)	(994)
Share based payment charge	(240)	(185)
Operating profit	3,520	2,056

4. Segment information (continued)

Freehold Properties	2021	2020
	£000	£000
Intercompany property income	3,046	3,189
Third party property income	561	848
Revenue	3,607	4,037
Adjusted operating profit	361	954
Share based payment charge	(27)	(21)
Operating profit	334	933
Corporate	2021	2020
	£000	£000
Adjusted operating loss	(3,379)	(2,382)
Share based payment credit/(charge)	42	(87)
Share of loss of equity accounted investment	(1,061)	-
Operating loss	(4,398)	(2,469)
Group	2021	2020
	Total	Total
	£000	£000
Services revenue	52,879	48,198
Products revenue	24,936	20,540
Third party property income	561	848
Other	2,840	4,077
Revenue	81,216	73,663
Adjusted operating profit	16,260	10,885
Acquisition integration costs	-	(10)
Amortisation of acquisition related intangible assets	(2,891)	(2,507)
Share based payment charge	(727)	(1,239)
Share of loss of equity accounted investment	(1,061)	-
Operating profit	11,581	7,129
Net finance costs	(654)	(737)
Profit before income tax	10,927	6,392
Income tax (charge)/credit	(1,366)	647
Profit for the period	9,561	7,039

In the Freehold Properties segment, income includes £3.0 million (2020: £3.2 million) generated from intra group recharges. The corresponding costs are included within the Services Operating Business and Product Operating Business segments and are eliminated on consolidation.

The divisions of R&D Consultancy and Regulatory & Compliance are aggregated into one operating segment because they have the same economic characteristics.

During 2021, no single customer accounted for more than 10% of the Group's revenue (2020: nil).

4. Segment information (continued)

Geographical analysis

Non-current assets (excluding deferred tax assets) by geographical area are as follows:

	2021 £000	2020 £000
United Kingdom	60,389	47,812
Other European Countries	7	14
North America	2	24
Asia	268	130
	60,666	47,980

Non-current assets are allocated based on their physical location.

Operating profit for the Services Operating Business included a depreciation charge of £0.7 million (2020: £1.1 million), the Product Operating Business included a depreciation charge of £0.2 million (2020: £0.3 million), the Freehold Properties included a depreciation charge of £0.4 million (2020 £0.6 million) and Corporate included depreciation charges of £0.2 million.

5. Revenue

5.1 Revenue Streams

The Group's operations and main revenue streams are those described in Note 4. The Group's revenue is derived from contracts with customers.

5.2 Disaggregation of revenue

In the following table, revenue is disaggregated by geographical market and by the currency in which the contract is denominated. For the purpose of the analysis of revenue, geographical markets are defined as the country or area in which the client is based.

Primary geographic markets	2021 £000	2020 £000
United Kingdom	11,883	14,843
Other European Countries	12,228	12,743
North America	29,065	24,003
Asia	27,680	21,553
Other	360	521
	81,216	73,663

Currency	2021 £000	2020 £000
US Dollar	50,153	41,787
Euro	3,070	3,569
Sterling	27,985	28,274
Other	8	33
	81,216	73,663

Included in the United Kingdom and Sterling disclosure above is rental income of £561,000 (2020: £848,000) that is accounted for under IFRS 16 Leases.

Timeframe	2021 £000	2020 £000
Revenue recognised at a point in time	26,408	21,125
Revenue recognised over a period of time	54,808	52,538
	81,216	73,663

5. Revenue (continued)

5.3 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Note	2021 £000	2020 £000
Receivables that are included in 'Trade and other receivables'	18	9,331	8,084
Contract assets that are included in 'Trade and other receivables'	18	1,202	1,037
Contract liabilities which are included in 'Trade and other payables'	19, 20	(14,187)	(11,814)

The contract assets primarily relate to the Group's rights to consideration for work performed but not billed at the reporting date on Services Operating Business revenue streams. The contract assets are transferred to receivables when the rights to receive cash become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers (Note 20). The remainder represents revenue to be recognised over time as the work is performed. The balance of £2,874,000 (2020: £2,015,000) that relates to pass through fees which represent advance payments for registration fees to be paid to regulatory bodies is excluded as these balances are not recognised as revenue (Note 19).

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

Year ended 31 December 2021	Contract Assets £000	Contract Liabilities £000
Revenue recognised that was included in the contract liability at the beginning of the period	-	11,814
Increase due to invoices raised to clients, excluding amounts recognised as revenue in the period	-	(14,187)
Transfers from contract assets recognised at the beginning of the period to receivables	(1,037)	-
Increases as a result of changes in the measure of progress	1,202	-
	165	(2,373)

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

6. Operating expenses

Operating profit is stated after charging:

Year ended 31 December	Note	2021 £000	2020 £000
Cost of inventories		13,067	11,372
Share of loss of equity accounted investment	16	1,061	-
Depreciation of property, plant and equipment	15	719	904
Depreciation of right-of-use assets	15,24	794	1,067
Impairment of right-of-use assets	15,24	-	513
Foreign currency losses		92	40
Amortisation of intangible assets	14	2,891	2,507
Research and development*		10,941	10,869

*R&D costs are represented by employee and material costs incurred in relation to R&D projects.

Direct Operating Expenses, as disclosed on the Consolidated Income Statement, includes Cost of Sales.

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6. Operating expenses (continued)

	2021 £000	2020 £000
Auditors' remuneration		
Auditors' remuneration to Grant Thornton UK LLP:		
Fees payable to the Company's auditors for the audit of the financial statements	70	35
Audit fees – underlying	165	160
Remuneration to Grant Thornton UK LLP for other non-audit services:		
Accountancy and taxation services for a foreign subsidiary	21	24
Compliance and other services for a foreign subsidiary	–	19
Audit related assurance services	30	15
Tax compliance services	45	34
Other taxation advisory services	28	15

7. Finance income and finance costs

Finance costs include all interest-related income and expenses through profit or loss. The following have been included in the income statement for the reporting periods presented:

	Group	
Year ended 31 December	2021 £000	2020 £000
Finance income		
Bank interest receivable and similar income	19	9
	19	9
Finance costs		
Bank borrowings	(564)	(586)
Fees on settlement of revolving credit facility	(8)	–
Amortisation of loan arrangement fees	(16)	(15)
Lease liabilities	(85)	(145)
	(673)	(746)
Net finance costs	(654)	(737)

8. Employee benefit expenses

Employment costs are shown below:

	Note	Group	
Year ended 31 December		2021 £000	2020 £000
Wages and salaries (including bonuses)		29,975	28,079
Social security costs		3,902	3,794
Redundancy costs		9	92
Pension costs		1,563	1,456
		35,449	33,421
Share based payments	22	727	1,239
		36,176	34,660

Wages and salaries costs (including bonuses) for the Company were £1,258,000 (2020: £643,000), with social security costs for the year of £176,000 (2020: £98,000) and pension costs of £13,000 (2020: £12,000). There was a share based payment credit for the Company in the year of £78,000 (2020: a charge of £44,000).

8. Employee benefit expenses (continued)

The average monthly number of persons employed (including Executive and Non-Executive Directors and fixed term contractors) by Science Group was as follows:

Year ended 31 December	Group	
	2021 Number	2020 Number
Technology consultants	308	319
Marketing, support, administration, and other technically qualified staff	102	97
	410	416

The average monthly number of persons employed by the Company was 4 (2020: 4).

9. Directors' remuneration, interests and transactions

Directors' emoluments and benefits include:

Year ended 31 December 2021	Salary/fee	Bonus	Pension contribution	Discretionary payment	Compensation for loss of office	Gain on share options exercised	Total
Name of Director	£000	£000	£000	£000	£000	£000	£000
Ratcliffe	385	-	-	225	-	-	610
Edwards	226	269	16	-	-	-	511
Brett	49	23	3	-	-	-	75
Bertram	45	-	-	20	-	-	65
Lacey-Solymar	45	-	-	13	-	-	58
Archer	50	-	4	-	-	-	54
Vohra	112	-	7	-	89	-	208
Aggregate emoluments	912	292	30	258	89	-	1,581

Year ended 31 December 2020	Salary/ fee	Bonus	Pension contribution	Discretionary payment	Compensation for loss of office	Gain on share options exercised	Total
Name of Director	£000	£000	£000	£000	£000	£000	£000
Ratcliffe	385	-	-	150	-	-	535
Edwards	216	162	15	-	-	154	547
Archer	178	81	12	-	-	51	322
Bertram	24	-	-	-	-	-	24
Courtley	17	-	-	-	-	-	17
Lacey-Solymar	43	-	-	-	-	-	43
Aggregate emoluments	863	243	27	150	-	205	1,488

Directors' emoluments and benefits are stated for the Directors of Science Group plc only.

Mr Brett was appointed as Director on 10 August 2021 and his emoluments are included in the table above from this date.

Mrs Archer retired as Director on 9 April 2021 and her emoluments are included in the table above up until this date.

Mr Vohra was appointed as Director on 11 January 2021 and subsequently retired as Director on 30 July 2021.

A share based payment charge of £133,000 was recognised in the income statement relating to share options held by Directors (2020: £208,000). The share base payment charge for 2021 includes a charge relating to Mr Brett from his date of appointment, being 10 August 2021.

9. Directors' remuneration, interests and transactions (continued)

The amounts shown were recognised as an expense during the year and relate to the Directors of the Company. Bonuses, pension and medical benefits are not paid to Non-Executive Directors. The Remuneration Committee awarded Martyn Ratcliffe a discretionary payment of £225,000 in recognition of his contribution. Mr Ratcliffe does not participate in the Group bonus scheme or receive pension or medical benefits.

Total social security costs related to Directors during the year was £190,000 (2020: £162,000).

Directors' interests in the shares of Science Group as at 31 December 2021 and 31 December 2020, and any changes subsequent to 31 December 2021 are as follows:

Science Group plc Ordinary shares of £0.01	Options				Shares	
	2021	2020	2021	2020	2021	2020
Year ended 31 December	Average exercise price (pence)		Number	Number	Number	Number
Ratcliffe	-	-	-	-	9,412,080	11,412,080
Edwards	1.0	1.0	685,000	415,000	109,000	109,000
Brett	1.0	-	85,000	-	-	-
Bertram	-	-	-	-	5,000	5,000
			770,000	415,000	9,526,080	11,526,080

Mr Brett's balance of share options includes an amount of 10,000 options brought forward from 2020.

Mrs Archer and Mr Vohra retired as Directors on 9 April 2021 and 30 July 2021 respectively. At 31 December 2020, Mrs Archer held 145,000 share options and 50,000 shares in the Company.

See Note 22 for further details on option plans.

10. Income tax

The tax (charge)/credit comprises:

Year ended 31 December	Note	Group	
		2021 £000	2020 £000
Current taxation		(4,269)	(1,492)
Current taxation – adjustment in respect of prior years		(481)	240
Deferred taxation	11	2,975	1,806
Deferred taxation – adjustment in respect of prior years		85	(155)
R&D tax credit		324	248
		(1,366)	647

The adjustments in prior years are due to estimation differences related to the tax charge.

10. Income tax (continued)

The corporation tax on Science Group's profit before tax differs from the theoretical amount that would arise using the blended corporation tax rate across the various jurisdictions applicable to profits of the consolidated companies of 22.0% (2020: 20.4%) as follows:

Group	2021 £000	2020 £000
Profit before tax	10,927	6,392
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	(2,401)	(1,306)
Expenses not deductible for tax purposes	(543)	(193)
Adjustment in respect of prior years – current tax	(481)	240
Adjustment in respect of prior years – deferred tax	85	(155)
Movement in deferred tax due to change in tax rate	(313)	-
Share scheme movements	44	72
Losses used in year	1,033	740
Recognition of tax losses as deferred tax asset	1,119	1,001
Share of loss of equity accounted investment	(233)	-
R&D tax credit	324	248
Tax (charge)/credit	(1,366)	647

The Group claims Research and Development tax credits under both the R&D expenditure credit scheme and the Small or Medium-sized Scheme. In the current year, the Group recognised a tax credit of £0.3 million (2020: £0.2 million). The Group performed a reasonable estimate of all amounts involved to determine the R&D tax credits to be recognised in the period to which it relates.

11. Deferred tax

The movement in deferred tax assets and liabilities during the year by each type of temporary difference is as follows:

Group	Accelerated capital allowances	Tax losses	Share based payment	Acquisition related intangible assets	Other temporary differences	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2020	(1,893)	47	506	(2,453)	62	(3,731)
Charged to the income statement	125	954	184	442	101	1,806
Charged to the income statement (adjustment in respect of prior year)	1	-	(34)	(155)	33	(155)
Charged to Equity	-	-	119	-	96	215
Effect of movements in exchange rates	-	-	-	48	1	49
At 31 December 2020	(1,767)	1,001	775	(2,118)	293	(1,816)
Charged to the income statement	1,721	1,119	(5)	174	(34)	2,975
Deferred tax relating to acquisitions	-	-	-	(246)	-	(246)
Charge to the income statement (adjustment in respect of prior year)	-	-	-	-	85	85
Charged to Equity	-	-	619	-	(151)	468
Effect of movements in exchange rates	-	-	-	(15)	-	(15)
At 31 December 2021	(46)	2,120	1,389	(2,205)	193	1,451

11. Deferred tax (continued)

	Group	
	2021 £000	2020 £000
Deferred tax assets	2,120	1,322
Deferred tax liabilities	(669)	(3,138)
Net deferred tax assets/(liabilities)	1,451	(1,816)

At 31 December 2021, Science Group had £27.8 million (2020: £31.7 million) of tax losses of which £17.6 million (2020: £21.4 million) related to trading losses in Frontier. Of the Frontier losses, £10.0 million (2020: £5.3 million) is recognised as a deferred tax asset which is anticipated to be used to offset future taxable profits. The balance of £7.6 million (2020: £16.1 million) has not been recognised as a deferred tax asset due to the uncertainty in the timing of utilisation of these losses. Aside from Frontier, the Group has other tax losses of £10.2 million (2020: £10.3 million) unrecognised as a deferred tax asset due to the low probability that these losses will be able to be utilised.

Company	Share based payment £000	Total £000
At 1 January 2020	25	25
Credited to equity	9	9
At 31 December 2020	34	34
Charged to income statement	(16)	(16)
Charged to equity	(18)	(18)
At 31 December 2021	-	-

The Company has available tax losses of approximately £2.3 million (2020: £2.3 million) and these losses do not expire.

Factors affecting future tax charges –

From 1 April 2023 the UK corporation tax will increase from 19% to 25%. Deferred tax assets/(liabilities) were calculated at the substantively enacted corporation tax rates in the respective jurisdictions, taking into account the impact of any known future changes.

12. Earnings per share

The calculation of earnings per share is based on the following result and weighted average number of shares:

	2021			2020		
	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	9,561	42,660,991	22.4	7,039	41,631,118	16.9
Effect of dilutive potential ordinary shares: share options	-	1,435,102	(0.7)	-	598,648	(0.2)
Diluted earnings per ordinary share	9,561	44,096,093	21.7	7,039	42,229,766	16.7

Only the share options granted, as disclosed in Note 22, are dilutive.

The calculation of adjusted earnings per share is as follows:

	2021			2020		
	Adjusted* profit after tax £000	Weighted average number of shares	Pence per share	Adjusted* profit after tax £000	Weighted average number of shares	Pence per share
Adjusted basic earnings per ordinary share	12,173	42,660,991	28.5	8,078	41,631,118	19.4
Effect of dilutive potential ordinary shares: share options	-	1,435,102	(0.9)	-	598,648	(0.3)
Adjusted diluted earnings per ordinary share	12,173	44,096,093	27.6	8,078	42,229,766	19.1

*Calculation of adjusted profit after tax:

Group	2021 £000	2020 £000
Adjusted operating profit	16,260	10,885
Finance income	19	9
Finance costs	(673)	(746)
Adjusted profit before tax	15,606	10,148
Tax charge at the blended corporation tax rate across the various jurisdictions 22.0% (2020: 20.4%)	(3,433)	(2,070)
Adjusted profit after tax	12,173	8,078

The tax charge is calculated using the blended corporation tax rate across the various jurisdictions in which the Group companies are incorporated.

13. Dividends

The final dividend for 2020 of £1.6 million was paid in June 2021.

The Board has proposed a final dividend for 2021 of 5.0 pence per share (2020: 4.0 pence per share). The dividend is subject to approval by shareholders at the next Annual General Meeting and the expected cost of £2.3 million has not been included as a liability as at 31 December 2021.

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For the year ended 31 December 2021

14. Intangible assets

Group	Technology	Customer relationships	Goodwill	Total
Cost	£000	£000	£000	£000
At 1 January 2020	6,995	13,667	16,033	36,695
Effect of movement in exchange rates	(203)	(20)	(151)	(374)
At 31 December 2020	6,792	13,647	15,882	36,321
Acquisitions through business combination (Note 25)	1,031	238	664	1,933
Additions	4,315	-	-	4,315
Effect of movement in exchange rates	168	30	39	237
At 31 December 2021	12,306	13,915	16,585	42,806

Accumulated amortisation

At 1 January 2020	292	7,141	-	7,433
Amortisation charged in year	901	1,606	-	2,507
Effect of movement in exchange rates	(61)	39	-	(22)
At 31 December 2020	1,132	8,786	-	9,918
Amortisation charged in year	1,305	1,586	-	2,891
Effect of movement in exchange rates	27	19	-	46
At 31 December 2021	2,464	10,391	-	12,855

Accumulated impairment

At 1 January, 31 December 2020 and 31 December 2021	-	7	2,225	2,232
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Carrying amount

At 31 December 2020	5,660	4,854	13,657	24,171
At 31 December 2021	9,842	3,517	14,360	27,719

On 24 November 2021 the Group acquired Magic Systech Inc ('Magic'), a Taiwan-based company which specialises in Internet Radio technology (Note 25).

On 15 July 2021 the Group paid £4.3 million to acquire a licence to use technology developed by Imagination Technologies Limited.

Goodwill and acquisition related intangible assets recognised arose from acquisitions during 2013, 2015, 2017, 2019 and 2021. The discount rates used for goodwill impairment reviews and the carrying amount of goodwill is allocated as follows:

Group	2021		2020	
	Pre-tax discount rate	£000	Pre-tax discount rate	£000
R&D Consultancy	11.9%	3,383	10.1%	3,383
Leatherhead Research	11.9%	650	10.1%	650
TSG - America	11.9%	2,570	10.1%	2,546
TSG - Europe	11.9%	4,546	10.1%	4,546
Frontier Smart Technologies Group	14.1%	2,566	12.2%	2,532
Magic Systech Inc	14.1%	655	-	-
		14,360		13,657

14. Intangible assets (continued)

Impairment review of goodwill

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the Cash Generating Units ('CGU's) are determined from value in use. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates of revenue and costs.

The Group prepares the cash flow forecasts derived from the most recent annual 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 revenue and costs for the CGU that is incorporated in the cash flow forecasts is derived from the most recent financial plan approved by the Board.

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 reviews use a discount rate adjusted for pre-tax cash flows and are included in the table above.

Impairment testing for the R&D Consultancy CGU

A review of the forecast future cash flows of R&D Consultancy, based on value in use estimated using discounted cash flows, indicated there was no impairment.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant markets and have been based on historical data from internal sources.

R&D Consultancy CGU	2021	2020
Rate of growth in revenue (average of next 5 years)	4.5%	4.5%
Rate of increase in operating costs (average of next 5 years)	4.5%	4.5%
Terminal value growth rate	2.3%	2.3%

The growth rates used are based on internal forecasts which reflect management's best estimate of the future forecasts. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBIT growth rate, based on market data.

A sensitivity analysis using reasonably possible changes in key assumptions has been performed. None of these changes result in the value of goodwill allocated to R&D Consultancy being in excess of its recoverable amount and therefore no sensitivity analysis is presented.

Impairment testing for the Leatherhead Research CGU

A review of the forecast future cash flows of Leatherhead Research CGU, based on value in use estimated using discounted cash flows, indicated there was no impairment.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant markets and have been based on historical data from internal sources.

Leatherhead Research CGU	2021	2020
Rate of growth in revenue (average of next 5 years)	2.0%	3.8%
Rate of increase in operating costs (average of next 5 years)	2.0%	3.1%
Terminal value growth rate	2.0%	2.3%

The growth rates used are based on internal forecasts which reflect management's best estimate of the future forecasts. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBIT growth rate, based on market data.

A sensitivity analysis using reasonably possible changes in key assumptions has been performed. None of these changes result in the value of goodwill allocated to Leatherhead Research CGU being in excess of its recoverable amount and therefore no sensitivity analysis is presented.

14. Intangible assets (continued)

Impairment testing for the TSG America CGU

A review of the forecast future cash flows of TSG America, based on value in use estimated using discounted cash flows, indicated there was no impairment.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant markets and have been based on historical data from internal sources.

TSG America CGU	2021	2020
Rate of growth in revenue (average of next 5 years)	6.5%	7.5%
Rate of increase in operating costs (average of next 5 years)	6.5%	7.5%
Terminal value growth rate	2.3%	2.3%

The growth rates used are based on internal forecasts which reflect management's best estimate of the future forecasts. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBIT growth rate, based on market data.

A sensitivity analysis using reasonably possible changes in key assumptions has been performed. None of these changes result in the value of goodwill allocated to TSG America being in excess of its recoverable amount and therefore no sensitivity analysis is presented.

Impairment testing for the TSG Europe CGU

A review of the forecast future cash flows of TSG Europe, based on value in use estimated using discounted cash flows, indicated there was no impairment.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant markets and have been based on historical data from internal sources.

TSG Europe CGU	2021	2020
Rate of growth in revenue (average of next 5 years)	5.5%	6.5%
Rate of increase in operating costs (average of next 5 years)	5.5%	5.3%
Terminal value growth rate	2.3%	2.3%

The growth rates used are based on internal forecasts which reflect management's best estimate of the future forecasts. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBIT growth rate, based on market data.

A sensitivity analysis using reasonably possible changes in key assumptions has been performed. None of these changes result in the value of goodwill allocated to TSG Europe being in excess of its recoverable amount and therefore no sensitivity analysis is presented.

Impairment testing for the Frontier Smart Technologies Group CGU

A review of the forecast future cash flows of Frontier Smart Technologies Group ('Frontier'), based on value in use estimated using discounted cash flows, indicated there was no impairment.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant markets and have been based on historical data from internal sources.

Frontier Smart Technologies Group CGU	2021	2020
Rate of growth in revenue (average of next 5 years)	2.0%	2.0%
Rate of increase in operating costs (average of next 5 years)	2.0%	1.9%
Terminal value growth rate	2.3%	2.3%

14. Intangible assets (continued)

The growth rates used are based on internal forecasts which reflect management's best estimate of the future forecasts. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBIT growth rate, based on market data.

A sensitivity analysis using reasonably possible changes in key assumptions has been performed. None of these changes result in the value of goodwill allocated to Frontier being in excess of its recoverable amount and therefore no sensitivity analysis is presented.

Impairment testing for the Magic Systech CGU

A review of the forecast future cash flows of Magic Systech ('Magic'), based on value in use estimated using discounted cash flows, indicated there was no impairment.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant markets and have been based on historical data from internal sources.

Magic Systech CGU	2021	2020
Rate of growth in revenue (average of next 5 years)	10.0%	N/A
Rate of increase in operating costs (average of next 5 years)	10.0%	N/A
Terminal value growth rate	2.3%	N/A

The growth rates used are based on internal forecasts which reflect management's best estimate of the future forecasts. The value in use calculations using a discount rate of 14.1% demonstrated headroom over carrying value of £623,000.

The cash flows within the impairment model are based on assumptions which are sources of estimation uncertainty and reasonably possible movements in these assumptions could lead to an impairment. The main source of uncertainty is in respect of the successful transition and integration of Magic into the Group which is most likely to impact forecast revenue growth. The discount rate is another key assumption as a relatively small change can have a material impact on the value in use calculation. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions.

	(Decrease)/ increase in assumption	Effect on value in use calculation £'000
Rate of growth of revenue	(7.5%)	(695)
Discount rate	3%	(729)

This sensitivity is based on Magic as a standalone basis. Magic has been acquired recently and does not have a track record within the Group. Magic was acquired to complement Frontier's existing product offering, and management plans on integrating Magic into a related CGU in the forthcoming year. Management believes this will drive value and growth for the business in the future.

15. Property, plant and equipment

Group	Freehold land and buildings £000	Right-of-use assets £000	Furniture and fittings £000	Equipment £000	Total £000
Cost					
At 1 January 2020	25,200	4,277	3,698	2,021	35,196
Additions	-	298	77	66	441
Disposals		(225)	(39)	-	(264)
Exchange differences on cost		(126)	15	89	(22)
At 1 January 2021	25,200	4,224	3,751	2,176	35,351
Additions	-	583	257	287	1,127
Disposals	-	(599)	(1,323)	(64)	(1,986)
Exchange differences on cost	-	35	(7)	1	29
At 31 December 2021	25,200	4,243	2,678	2,400	34,521
Accumulated depreciation					
At 1 January 2020	3,816	1,783	2,269	1,458	9,326
Depreciation charge	215	1,067	404	285	1,971
Impairment loss	-	513	-	-	513
Disposals	-	(225)	(32)	-	(257)
Exchange differences on depreciation	-	(139)	32	96	(11)
At 1 January 2021	4,031	2,999	2,673	1,839	11,542
Depreciation charge	178	794	291	250	1,513
Disposals	-	(599)	(1,323)	(64)	(1,986)
Exchange differences on depreciation	-	60	7	1	68
At 31 December 2021	4,209	3,254	1,648	2,026	11,137
Carrying amount					
At 31 December 2020	21,169	1,225	1,078	337	23,809
At 31 December 2021	20,991	989	1,030	374	23,384

Freehold land and buildings include two properties in the UK.

The Epsom property is held at cost less accumulated depreciation. Included within land and buildings for the Group is freehold land to the value of £500,000 (2020: £500,000) which has not been depreciated. During the year ended 31 December 2016, the property was brought into use from which point depreciation commenced. This property was acquired solely for the use of Science Group. This property was last formally valued at £7.8 million during March 2021 by BNP Paribas Real Estate, subject to the assumption of full vacant possession.

The Harston property is held at cost less accumulated depreciation. Included within land and buildings for the Group is freehold land to the value of £1,360,000 (2020: £1,360,000) which has not been depreciated. Cumulative interest capitalised up to 31 December 2003 was £340,000. No further interest has been capitalised. The Harston property was last formally valued during March 2021 by BNP Paribas Real Estate. Under the assumptions used, including tenant covenant strength and market rents, the indicative valuation range for the building was between £14.0 million based on occupational tenancies where the head lease is merged into the freehold interest, and £23.7 million under a sale and leaseback scenario.

15. Property, plant and equipment (continued)

The Epsom and Harston buildings are depreciated using the straight-line method to allocate their cost less their residual values over their estimated useful lives of 25 years. The residual values of the properties are based on estimates of the amounts the Group would receive currently for the properties if they were already of an age and in the condition expected at the end of their useful lives. The residual values are reviewed annually to ensure that they do not exceed the estimated market values of the properties.

The Harston property generated third party rental and associated income of £561,000 (2020: £848,000). Of this income, £346,000 (2020: £532,000) was rental income and £215,000 (2020: £310,000) was associated income. Associated income includes, but is not limited to, utilities, cleaning, and general maintenance.

The total space on the Harston site available for business use is 97,000 sq. ft. Of this space, the average total space let to third parties during 2021 was 15,900 sq. ft. (2020: 21,600 sq. ft.). The leases to tenants are typically for a 36-month term and normally have a termination notice period of 3 to 6 months. An average of 50,100 sq. ft. (2020: 48,300 sq. ft.) was used by the Group during the year for its business activities including office space and laboratory space and 20,300 sq. ft. are common areas. The remaining space of 10,700 sq. ft. (2020: 6,800 sq. ft.) was vacant during the year.

Given the continuing rental values and occupancy rates the Directors do not believe that the combined carrying value of the Harston and Epsom properties of £21.0 million (2020: £21.2 million) is significantly different to its fair value.

The term loan with Lloyds Bank plc is secured on the Harston and Epsom properties which have a combined net book value at 31 December 2021 of £21.0 million (2020: £21.2 million).

Science Group plc had fixed assets with a net book value of £33,000 at 31 December 2021 (£98,000 at 31 December 2020).

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16. Investments

a) Investments in subsidiaries

Science Group plc held investments in the following subsidiaries at 31 December 2021.

Subsidiaries of Science Group plc	Registered office	Country of incorporation	Principal activity	Shares held	%
Sagentia Limited*	(1)	England	Consultancy	Ordinary	100
Quadro Harston Limited**	(1)	England	Holding company	Ordinary	100
OTM Consulting Ltd*	(1)	England	Consultancy	Ordinary	100
Quadro Epsom Limited*	(1)	England	Property	Ordinary	100
Sagentia Inc.	(2)	USA	Consultancy	Ordinary	100
OTM Consulting Inc.	(3)	USA	Consultancy	Ordinary	100
Oakland Innovation Ltd*	(1)	England	Consultancy	Ordinary	100
Leatherhead Research Limited*	(1)	England	Consultancy	Ordinary	100
Technology Sciences Group Limited*	(1)	England	Consultancy	Ordinary	100
Technology Sciences Group Consulting Limited	(1)	England	Consultancy	Ordinary	100
Technology Sciences Group (TSG) Canada Inc.	(7)	Canada	Consultancy	Ordinary	100
Technology Sciences Group Iberia SL	(5)	Spain	Consultancy	Ordinary	100
TSGE Deutschland GmbH	(6)	Germany	Consultancy	Ordinary	100
Technology Sciences Group Inc.*	(2)	USA	Consultancy	Ordinary	100
Technology Science Group France SAS *	(4)	France	Consultancy	Ordinary	100
SG Bidco Ltd *	(1)	England	Holding Company	Ordinary	100
Frontier Smart Technologies Limited	(1)	England	Production	Ordinary	100
Frontier Microsystems Ltd	(1)	England	Production	Ordinary	100
Frontier Silicon (HK) Ltd	(8)	Hong Kong	Production	Ordinary	100
Magic Systech Inc ***	(9)	Taiwan	Production	Ordinary	100

* Direct subsidiaries of Science Group plc as at 31 December 2021.

** Sagentia Technology Advisory Limited changed its name to Quadro Harston Limited on 23 June 2021.

*** On 24 November 2021, Frontier Smart Technologies Limited acquired 100% of Magic Systech Inc.

TSGE d o o was dissolved in June 2021.

(1) Harston Mill, Royston Road, Harston, Cambridge, CB22 7GG, England

(2) One Commerce Center - 1201 Orange Street, Suite 600, Wilmington, Delaware 19899, USA

(3) 815 Brazos Street, Suite 500, Austin, Texas, 78701, USA

(4) 229 rue Saint-Honoré, 75001, Paris, France

(5) Avenida De Galicia, 22-1, Isquierda, Dr Oviedo, 33005, Spain

(6) Im Fliegerhorst 12 38642 Goslar, Germany

(7) 50 O'Connor Street, Suite 300, Ottawa, Ontario, K1P 6L2, Canada

(8) 31/F Tower Two Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

(9) (11083) 6F, No.508, Sec.5, Zhongxiao East Road, Xinyi District, Taipei City, Taiwan

16. Investments (continued)

b) Investments summary

Cost	Subsidiary investments £000	Financial investments £000	Associate investments* £000	Total Company £000
At 1 January 2020	49,574	-	-	49,574
Acquisitions through business combinations	1,605	-	-	1,605
Capital contributions to subsidiaries**	1,185	-	-	1,185
At 31 December 2020	52,364	-	-	52,364
Capital contribution to subsidiaries**	806	-	-	806
Acquisition of financial investments*	-	12,770	-	12,770
Remeasurement of financial investments to reflect fair value on 13 October 2021	-	(2,470)	-	(2,470)
Reclassification from financial investments to associate investments	-	(10,300)	10,300	-
Share of loss in associate investments	-	-	(1,061)	(1,061)
At 31 December 2021	53,170	-	9,239	62,409
Impairment				
At 1 January 2020 and 1 January 2021	2,185	-	-	2,185
Impairment loss	-	-	-	-
At 31 December 2021	2,185	-	-	2,185
Carrying amount				
At 31 December 2020	50,179	-	-	50,179
At 31 December 2021	50,985	-	9,239	60,224

*From August 2021, the Group commenced on-market purchases of shares in TP Group plc, increasing its holding to 28.0% at 31 December 2021. From 13 October 2021, when two Science Group plc Directors were appointed to the Board of TP Group plc, it was deemed the Group should account for its holding in TP Group plc as an associate and account for this investment under the equity method.

**Capital contributions to subsidiaries are in relation to share based payment charges for employees of the subsidiaries.

16. Investments (continued)

c) Associate investments

From 13 October 2021, the Group's interest in TP Group plc is accounted for using the equity method in the Consolidated Financial Statements.

The following table is a summary of the unaudited results of TP Group plc for the year ended 31 December 2021:

Balance sheet as at 31 December 2021	Total £000
Current assets	28,600
Non-current assets	18,100
Current liabilities	(24,000)
Non-current liabilities	(13,100)
Equity	9,600
Group's share in equity – 28%	2,688
<hr/>	
Income statement for the year ended 31 December 2021	Total £000
Revenue	64,000
Cost of sales	(52,400)
Gross profit	11,600
Administrative expenses	(30,300)
Adjusted operating loss	(18,700)
Finance costs	(400)
Loss before tax	(19,100)
Tax credit	1,600
Loss for the year	(17,500)
Other comprehensive income items	-
Total comprehensive loss for the year	(17,500)
Group's share of loss for the year (28% for the period 13 October 2021 to 31 December 2021)	(1,061)

17. Inventories

	Group	
	2021 £000	2020 £000
Raw materials	304	397
Work in progress	793	380
Finished goods	1,357	486
	2,454	1,263

For the costs of inventory included in operating costs, see Note 6.

The Company had £nil inventories at 31 December 2021 (2020: £nil).

18. Trade and other receivables

	Company		Group	
	2021 £000	2020 £000	2021 £000	2020 £000
Current assets:				
Trade receivables	-	-	9,406	8,186
Provision for impairment	-	-	(75)	(102)
Trade receivables - net	-	-	9,331	8,084
Amounts recoverable on contracts	-	-	1,202	1,037
Other receivables	25	-	103	128
Amounts owed by Group undertakings	11,974	10,642	-	-
VAT	39	30	96	36
Prepayments	414	303	1,476	1,499
	12,452	10,975	12,208	10,784

All amounts disclosed above, except for prepayments, are receivable within 90 days.

The following table provides information about the exposure to credit risk and Expected Credit Losses ('ECLs') for trade receivables and amounts recoverable on contracts.

Group	2021		2020	
	Gross Carrying Amount	Provision for Impairment	Gross Carrying Amount	Provision for Impairment
	£000	£000	£000	£000
Current (not past due)	9,058	-	7,553	3
1-30 days past due	998	-	1,267	1
31-60 days past due	370	-	221	19
61-90 days past due	164	4	53	6
More than 90 days past due	18	71	129	73
	10,608	75	9,223	102

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

The ECLs are based on the payment profile for sales over the past 48 months before 31 December 2021 and 31 December 2020 respectively as well as the corresponding historical credit losses during that period. The historical ECLs are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

18. Trade and other receivables (continued)

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

In relation to amounts owed by Group Undertakings, based on historical experience and informed credit assessment, the ECL is not material.

	Group	
	2021 £000	2020 £000
Provision brought forward	102	100
Provision made	101	32
Provision released	(116)	(28)
Movement due to foreign exchange fluctuations	(12)	(2)
Provision carried forward	75	102

19. Cash and cash equivalents

	Company		Group	
	2021 £000	2020 £000	2021 £000	2020 £000
Short term bank deposits – Group cash	-	37	-	37
Cash at bank and in hand – Group cash	20,091	11,386	34,315	27,022
Cash and cash equivalents – Group cash	20,091	11,423	34,315	27,059
Cash and cash equivalents – Client registration funds	-	-	2,874	2,015
	20,091	11,423	37,189	29,074

The Group receives cash from clients, primarily in North America, which are pass-through funds solely for the purpose of payment of registration fees to regulatory bodies. This cash is separated in the day-to-day operations of the business, is separately identified for reporting purposes and is unrestricted.

20. Trade and other payables

	Company		Group	
	2021 £000	2020 £000	2021 £000	2020 £000
Current liabilities				
Contract liabilities	-	-	17,061	13,829
Trade payables	71	76	2,591	2,728
Other taxation and social security	99	-	1,346	1,210
Amounts owed to Group undertakings	19,076	13,665	-	-
VAT	-	-	224	151
Accruals	1,038	484	8,820	8,447
	20,284	14,225	30,042	26,365

21. Provisions

Group	Dilapidations £000	Restructuring £000	Legal £000	Other £000	Total £000
At 1 January 2020	562	90	-	-	652
Provisions made during the year	277	-	659	14	950
Provisions used during the year	(26)	(10)	(149)	-	(185)
Provisions reversed during the year	(36)	-	-	-	(36)
Gain on foreign exchange fluctuations	(13)	-	(31)	-	(44)
At 31 December 2020	764	80	479	14	1,337
Provisions made during the year	89	-	248	6	343
Provisions used during the year	(5)	(10)	(30)	-	(45)
Provisions reversed during the year	(84)	-	(265)	(20)	(369)
Gain on foreign exchange fluctuations	6	-	8	-	14
At 31 December 2021	770	70	440	-	1,280
Current liabilities	167	70	440	-	677
Non-current liabilities	603	-	-	-	603
At 31 December 2020	764	80	479	14	1,337
Current liabilities	119	80	479	-	678
Non-current liabilities	645	-	-	14	659

Dilapidation provisions have been recognised at the present value of the expected obligation. These discounts will unwind to their undiscounted value over the remaining lives of the leases via a finance charge within the income statement.

The average remaining life of the leases at 31 December 2021 is 2 years (2020: 2 years).

The restructuring provision relates to the costs associated with the closure of some non-trading Group entities and is anticipated to be utilised during the next 18 months.

Legal provisions represent the best estimate of the future cost of responding to US subpoenas relating to litigation and investigations directed at third parties.

The other provision related to warranty provisions made in respect of certain product sales.

22. Called-up share capital

	2021 £000	2020 £000
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	462	421
	Number	Number
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	46,185,874	42,062,035

The allotted, called-up and fully paid share capital of the Company as at 31 December 2021 was 46,185,874 shares (2020: 42,062,035) and the total number of ordinary shares in issue (excluding treasury shares) was 45,720,276 (2020: 41,238,392). The increase in shares in issue is primarily related to a 10% share placement completed in September 2021. Of the ordinary shares in issue, 104,400 (2020: 104,400) shares are held by the Frontier Smart Technologies Employee Benefit Trust. The voting rights in the Company are 45,615,876 (2020: 41,133,992).

22. Called-up share capital (continued)

A reconciliation of treasury shares held by the Company is as follows:

Reconciliation of treasury shares	Company	
	2021 Number	2020 Number
At beginning of year	823,643	361,595
Purchase of own shares	148,623	715,323
Settlement of share options	(506,668)	(253,275)
At end of year	465,598	823,643

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 shareholder 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.

The total charge relating to employee share based payment plans, all of which related to equity-settled share based payment transactions, was £727,000 (2020: £1,239,000).

Reconciliation of outstanding options	2021		2020	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
At beginning of year	2,854,400	1.0	2,942,675	1.1
Granted during the year – PSP	1,505,000	1.0	490,000	1.0
Exercised during the year	(506,675)	1.0	(253,275)	2.7
Lapsed during the year	(551,667)	1.0	(325,000)	1.0
At end of year	3,301,058	1.0	2,854,400	1.0

During the year ended 31 December 2021, share options were issued under the Performance Share Plan ('PSP') and Enhanced Executive Incentive Addendum ('EEI').

The options outstanding at 31 December 2021 had a weighted average contractual life of 8.2 years (2020: 8.0 years).

Included within the total outstanding options at 31 December 2021 are 71,658 options which are exercisable (2020: 15,000). The weighted average exercise price of exercisable options at the end of the year was 1.0 pence (2020: 1.0 pence).

Options exercised during the year had a weighted average share price at the date of exercise of 441.0 pence (2020: 240.0 pence).

Exercise of an option is subject to continued employment, and normally lapses within three months of leaving employment.

The fair values of options granted under the PSP in 2021 were determined using a variation of the Binomial Option Pricing model that takes into account factors specific to the share incentive plans including performance conditions. The performance condition attached to options granted in the year is such that 100% of the options vest dependent on the Company achieving earnings per share targets. The performance condition has been incorporated into the measurement by means of actuarial modelling. One vesting condition attached to options granted in the year is such that 100% of the options vest dependent on the Company achieving earnings per share targets. For options granted in the year, a risk-free rate of 0.12% and 0.53% and a dividend yield factor of 2.6% and 1.7% has been used for the options issued on 29 March and 14 October 2021 respectively. The share price on the date the options were granted was 308.0 pence and 460.0 pence on 29 March and 14 October 2021 respectively. The other principal assumptions used in the valuation are set out in the table below. The underlying expected volatility was determined by reference to historical data of the Company's shares over the vesting period.

22. Called-up share capital (continued)

The fair values of options granted under the EEI in 2021 were determined using the Monte Carlo valuation model that takes into account factors specific to the share incentive plans including performance conditions. The performance condition attached to options granted in the year is such that 100% of the options vest dependent on the Company achieving a share price hurdle target. The performance condition has been incorporated into the measurement by means of actuarial modelling. For options granted in the year, a risk-free rate of 0.67% and a dividend yield factor of 1.7% has been used for the options issued. The share price on the date the options were granted was 460.0 pence on 14 October 2021. The other principal assumptions used in the valuation are set out in the table below. The underlying expected volatility was determined by reference to historical data of the Company's shares over the vesting period.

At 31 December 2021, options granted to subscribe for ordinary shares of the Company that remain unexercised are as follows:

Date of grant	Option exercise period		Number of shares under option		Exercise Price (pence)	Fair Value of options (pence)	Life (years)	Volatility
	From	To	Performance Share Plan	Enhanced Executive Incentive Addendum				
Sep 2017	Sep 2020	Sep 2027	5,000	-	1.0	207.1	10	24%
May 2018	May 2021	May 2028	13,330	-	1.0	224.4	10	25%
May 2018	May 2023	May 2028	-	700,000	1.0	121.0	10	25%
Sept 2018	Sep 2021	Sep 2028	53,328	-	1.0	225.3	10	23%
Oct 2019	Oct 2022	Oct 2029	415,000	-	1.0	177.8	10	17%
Nov 2019	Nov 2022	Nov 2029	219,400	-	1.0	211.7	10	18%
Oct 2020	Oct 2023	Oct 2030	440,000	-	1.0	222.3	10	23%
Mar 2021	Mar 2024	Mar 2031	20,000	-	1.0	284.3	10	31%
Oct 2021	Oct 2024	Oct 2031	385,000	-	1.0	435.8	10	31%
Oct 2021	Oct 2026	Oct 2031	-	1,050,000	1.0	245.7	10	31%
			1,551,058	1,750,000				

At 31 December 2020, options granted to subscribe for ordinary shares of the Company are as follows:

Date of grant	Option exercise period		Number of shares under option		Exercise Price (pence)	Fair Value of options (pence)	Life (years)	Volatility
	From	To	Performance Share Plan	Enhanced Executive Incentive Addendum				
Sep 2017	Sep 2020	Sep 2027	15,000	-	1.0	207.1	10	24%
May 2018	May 2021	May 2028	335,000	-	1.0	224.4	10	25%
May 2018	May 2023	May 2028	-	800,000	1.0	121.0	10	25%
Jun 2018	Jun 2021	Jun 2028	100,000	-	1.0	218.4	10	25%
Sep 2018	Sep 2021	Sep 2028	445,000	-	1.0	225.3	10	23%
Oct 2019	Oct 2022	Oct 2029	450,000	-	1.0	177.8	10	17%
Nov 2019	Nov 2022	Nov 2029	219,400	-	1.0	211.7	10	18%
Oct 2020	Oct 2023	Oct 2030	490,000	-	1.0	222.3	10	23%
			2,054,400	800,000				

23. Borrowings

(a) Term loan

Group	2021 £000	2020 £000
Non-current bank borrowings	14,123	15,307
Current bank borrowings	1,200	1,200
	15,323	16,507
Group	2021 £000	2020 £000
Opening balance	16,507	16,213
Additional borrowings	-	1,500
Repayments in the year – term loan	(1,200)	(1,200)
Arrangement fee associated with new borrowing	-	(13)
Over accrual adjustment	-	(8)
Amortisation of loan arrangement fee	16	15
Total borrowings	15,323	16,507

Science Group plc, the Company, had no bank borrowings at the start nor end of the year.

During the year ended 31 December 2016, the Group entered into a 10-year fixed term loan of £15 million which is secured on the freehold properties of the Group and on which interest is payable based on LIBOR plus 2.6% margin. During the year ended 31 December 2019, the Group increased this existing loan by £4.8 million to £17.5 million on similar terms. The repayment profile of the loan is £1.2 million per annum over the term with the remaining balance repaid on expiry of the loan in 2026. Costs directly associated with entering into the loan (including the loan increase), have been offset against the balance outstanding and are being amortised over the period of the loan.

During the year ended 31 December 2020, the Group drew a further £1.5 million of loan funds from the £17.5 million existing loan agreement. This was on similar terms and with no change to the loan repayment profile (i.e. the quarterly repayments remained the same and the loan balance remains payable on 30 September 2026). Costs directly associated with entering into the additional loan of £13,000 were incurred, have been offset against the balance outstanding and are being amortised over the period of the loan.

At 31 December 2021, the amount outstanding on the term loan was £15.4 million.

The reconciliation of bank loans interest expense is shown below.

Group	2021 £000	2020 £000
Interest expense	580	601
Interest paid	(564)	(586)
Amortisation of loan arrangement fee	(16)	(15)
Accruals at the year end	-	-

In accordance with an agreed repayment schedule with the bank, bank borrowings are repayable to Lloyds Bank plc as follows:

Group	2021 £000	2020 £000
Within one year	1,200	1,200
Between 1 and 2 years	1,200	1,200
Between 2 and 5 years	3,600	3,600
Over 5 years	9,400	10,600
	15,400	16,600

23. Borrowings (continued)

(b) Revolving credit facility

In December 2021 Science Group plc signed a Revolving Credit Facility ('RCF') with Lloyds Bank plc in order to provide additional capital resources to enable the execution of the Group's acquisition strategy. The RCF is for up to £25.0 million, with an additional £5.0 million accordion option, for a term of four years with a one-year extension. The margin on drawn sums is 3.3% over the Sterling Overnight Index Average ('SONIA') and is 1.1% per annum on undrawn amounts. Drawn amounts are secured on the Group's assets by debentures. The RCF is in addition to the Group's existing term loan.

The RCF has two financial covenants with which the Group needs to comply if the facility is drawn: (i) the Group's net leverage, as defined as the net debt divided by the rolling 12 month EBITDA, should not exceed 2.5; and (ii) the Group's interest cover, as defined as the rolling 12 month EBITDA divided by the rolling interest payments on all borrowings, should not be less than 4.0. Reporting is on a 6 monthly basis unless the net leverage exceeds 2, in which case reporting moves to quarterly until net leverage returns to below 2 again. For the term of the RCF, the previous covenants for the Term Loan are superseded by the covenants of the RCF and will not apply.

(c) Hedge accounting

In order to address interest rate risk, the Group entered into phased interest rate swaps in order to fully hedge the loan resulting in a 10-year fixed effective interest rate of 3.5%. The interest rates on the swaps range from 0.4% to 1.3% which when combined with the margin on the loan economically fix the finance cost at 3.5%.

The notional amount on the interest rate swaps reduces in line with the repayment of the term loan, so an effective hedge remains throughout the term of the loan. There are 5 active swaps in place at 31 December 2021, totalling £15.4 million. Of this total, £0.8 million will mature in September 2022, £3.0 million will mature in September 2025 and the remaining balance of £11.6 million will mature in September 2026.

Hedge effectiveness is determined at inception of the hedge relationship and at every reporting period end through the assessment of the hedged items and hedging instrument to determine whether there is still an economic relationship between the two. The critical terms of the interest rate swaps entered into exactly match the terms of the terms of the hedged item. As such the economic relationship and hedge effectiveness are based on the qualitative factors and the use of a hypothetical derivative where appropriate.

Hedge ineffectiveness may arise where the critical terms of the forecast transaction no longer meet those of the hedging instrument, however the hedged items and the hedging instrument relationship matches one to one. For example, if the payment of the loan and the interest are transacted at different times, the hedge will become ineffective however the timing of the payments are within the control of the Group. All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the consolidated statement of financial position. To the extent the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss. At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

The Group has adopted hedge accounting for the interest rate swaps under IFRS 9, Financial Instruments, and the gain on change in fair value of the interest rate swaps of £763,000 (2020: loss of £519,000) was recognised in Other Comprehensive Income. The fair value of the swap at 31 December 2021 was an asset of £129,000 (2020: liability of £634,000).

23. Borrowings (continued)

(c) Hedge accounting (continued)

The impact of the hedging instrument on the Consolidated Balance Sheet as at 31 December 2021 is, as follows:

	Carry value		Line item in the consolidated balance sheet	Changes in fair value used for calculating hedge ineffectiveness £000	Notional amount directly impacted by IBOR reform £000
	Notional £000	Assets £000			
Interest rate swaps	15,400	129	Derivative financial instruments	129	15,400

The impact of the hedged item on the Consolidated Balance Sheet as at 31 December 2021 is, as follows:

	Carrying Amount £000	Accumulated fair value adjustments £000	Line item in the consolidated balance sheet	Changes in fair value used for calculating hedge ineffectiveness £000	Notional amount directly impacted by IBOR reform £000
	Term loan borrowings	15,400			

(d) IBOR reform

The Group has adopted phases 1 and 2 of the amendments to IFRS 7, IFRS 9 and IAS 39. The Group is aware that Interbank Offered Rates ('IBOR') reforms will change how interest is calculated on borrowings. Both the loan and the interest rate swaps are arranged through Lloyds Bank plc and the transition from London Interbank Offered Rates ('LIBOR') to Sterling Overnight Interest Average Rate ('SONIA') will be affected simultaneously in both the loan and the interest rate swaps and 100% effectiveness for the hedging instruments will be retained. The total notional amount of the interest rate swaps as at 31 December 2021 matches the loan balance of £15.4 million (2020: £16.6 million), with these full balances each currently subject to LIBOR. With LIBOR ceasing to be a suitable risk-free rate immediately after 2021, the Group agreed to transition the Term Loan and the respective swap instruments to use SONIA as an appropriate alternative. The transition was agreed during the year however will be effective from March 2022. The hedged position on the loan remains and there is no change to the effective fixed interest rate of 3.5%.

24. Leases

a. Leases as lessee (IFRS 16)

The Group leases office facilities for periods between 2 and 10 years, based on the non-cancellable period.

At 31 December 2021, the leases had remaining periods of 1 to 5 years.

Right-of-use assets

Information about leases for which the group is a lessee is presented below.

Group - Land and Buildings	2021 £000	2020 £000
Balance at 1 January	1,225	2,494
Additions	583	298
Impairment loss	-	(513)
Depreciation charge for the year	(794)	(1,067)
Effect of movements in exchange rates	(25)	13
Balance at 31 December	989	1,225

24. Leases (continued)

Lease liabilities

Information about leases for which the group is a lessee is presented below.

Group - Land and Buildings	2021 £000	2020 £000
Balance at 1 January	2,285	3,323
Additions	583	298
Repayments in year	(1,297)	(1,339)
Effect of movements in exchange rates	(18)	3
Balance 31 December	1,553	2,285

Lease liabilities are payable as follows:

Group	Lease payments £000	Finance charges £000	2021 £000	Lease payments £000	Finance charges £000	2020 £000
Within one year	1,193	(40)	1,153	1,326	(79)	1,247
Between 1 and 5 years	420	(20)	400	1,071	(33)	1,038
	1,613	(60)	1,553	2,397	(112)	2,285

b. Leases as lessor

The Group leases out some of the Harston site to third parties on leases which normally have a termination notice period of 3 to 6 months and typically for a 36-month term.

The leases are classified as operating leases from a lessor perspective because they do not transfer substantially all the risk and rewards to the ownership of the assets. Note 15 sets out information about the Harston leases.

Refer to Note 15 for rental income recognised by the Group during 2021.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Operating leases under IFRS 16	2020 £000	2021 £000
Within one year	569	360
Between 1 and 2 years	520	136
Between 2 and 3 years	365	102
Between 3 and 4 years	226	-
Between 4 and 5 years	28	-
Total	1,708	598

25. Acquisition of subsidiary

In progressing the Frontier strategy, the Group completed the acquisition of Magic Systech Inc ('Magic'), a Taiwan-based company which specialises in Internet Radio technology. For the year ended 31 December 2021, unaudited results for Magic reported revenue of £1.5 million and a profit before tax of £0.3 million. Magic will be integrated into Frontier. Consideration for the acquisition was £3.0 million, paid in cash, although at completion Magic held cash of £1.5 million, giving a net valuation of £1.5 million for the business. The acquisition of Magic completed on 24 November 2021.

25. Acquisition of subsidiary (continued)

The Income Statement of Magic that was consolidated into the Group is shown below:

Income statement for the period from 24 November 2021 to 31 December 2021	£000
Revenue	161
Operating expenses before adjusting items	(157)
Adjusted operating profit	4
Finance income	2
Profit before income tax	6

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition (24 November 2021):

	Fair Value £000
Acquisition related intangible assets	1,269
Inventories	144
Trade and other receivables	49
Cash and cash equivalents	1,546
Deferred tax liability	(249)
Trade and other payables	(422)
Net assets acquired	2,337
Goodwill	664
Total consideration in respect of acquisition	3,001
Cash acquired	(1,546)
Total consideration in respect of acquisition (net of cash acquired)	1,455

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Intangible Assets	Technology-based and customer-related intangible assets have been valued using the replacement cost method and excess earnings method respectively.

The goodwill is attributable mainly to the skills and technical knowledge of Magic's work force.

The consideration in respect of acquisition has been reported in the Consolidated and Company Statement of Cash Flows under investing activities.

26. Contingent liabilities

At 31 December 2021, there were £nil contingent liabilities (2020: £nil).

27. Related party transactions

The Group provides support and consultancy services to its subsidiaries and made loans, all of which eliminate on consolidation, and are therefore not disclosed.

In 2021, the Group had an associate investment shareholding in TP Group plc. On 16 December 2021, the Group made available a standby revolving credit facility to TP Group plc. The facility is for up to £5.0 million for the period from the date of signing until 30 September 2023. The facility, which is unsecured, includes an arrangement fee of 3%, interest rate of 1% per month on sums drawn and 0.4% per month on undrawn amounts, and remained undrawn at 31 December 2021.

The Company held intercompany balances, and charged management fees as follows:

Company	2021 Loans due (to)/from	2021 Sale of goods and services	2020 Loans due (to)/from	2020 Sale of goods and services
SG Bidco Ltd	7,279	-	3,592	-
Frontier Smart Technologies Limited	1,404	438	3,626	309
Oakland Innovation Limited	1,967	38	2,331	717
Leatherhead Research Limited	1,324	341	1,093	172
	11,974	817	10,642	1,198
OTM Consulting Ltd	(252)	-	-	-
Sagentia Limited	(10,412)	(1,142)	(5,391)	(1,679)
Sagentia Inc.	(172)	(192)	(2,111)	(205)
Quadro Harston Limited	(438)	3	-	-
Quadro Epsom Limited	(1,513)	-	(664)	154
Technology Sciences Group Consulting Limited	(4,791)	558	(4,078)	635
Technology Sciences Group Inc.	(1,498)	128	(1,421)	271
	(19,076)	(645)	(13,665)	(824)

Sagentia Limited (a subsidiary of Science Group plc) entered into an agreement with Cambridge Medical Technologies Limited ('CMT') on 26 September 2014 to lease office space to CMT. The lease has subsequently been transferred to Quadro Harston Limited (a subsidiary of Science Group plc). One of the Directors of Science Group plc, Michael Lacey-Solymar, is also a Director of CMT and Director and Shareholder of CMT's ultimate parent company. During the year ended 31 December 2021, £11,700 (2020: £12,000) was charged to CMT in relation to this agreement.

The remuneration of the key management personnel of the Group, recognised in the Income Statement, is set out below in aggregate. Key management personnel include all members of the plc Board and the Operating Board of Science Group.

Aggregate remuneration

Year ended 31 December	2021 £000	2020 £000
Short-term employee benefits (including social security costs)	2,035	1,761
Pension costs	43	40
Share based payment transactions	205	262
Termination benefits	89	-
	2,372	2,063

28. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Science Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical accounting estimate

Property residual values

Residual values have been estimated for the Epsom and Harston properties at £6.5 million and £12.0 million respectively based on estimates of the amounts the Group would receive currently for the properties if they were already of an age and in the condition expected at the end of their useful lives. The residual values are reviewed annually to ensure that they do not exceed the estimated market values of the properties. The most recent market valuations of £7.8 million and £16.3 million for Epsom and Harston respectively provide sufficient headroom over their residual values to hold up to a robust level of sensitivity stress testing. The market value would need to decline by £1.3 million and £4.3 million for the Epsom and Harston properties respectively for the residual values to exceed the market values of these properties.

Fair values

The fair values of identifiable assets acquired, and liabilities assumed are determined as part of the purchase price allocation of the acquisition. The management determines the fair values with the assistance of external independent valuation experts. Further information about the techniques and assumptions made in measuring fair values is included in Note 3.2.

(b) Significant accounting judgement

Accounting for freehold property at Harston Mill

Science Group owns and maintains the freehold property at Harston Mill for use in the supply of its Business Services and for administrative purposes.

Whilst there is remaining space on site not required to fulfil these activities, Science Group lets out space to third-party tenants. The revenues and costs attributable to this activity are disclosed as third-party property income activities within the business segment disclosures. It is not accounted for as an investment property, the reasons being:

- (i) the third-party leases include the use of common areas and because of this the areas that are leased to third parties could not be sold separately.
- (ii) the leases normally have notice periods of no more than six months giving Science Group the flexibility to start using the areas if required, i.e. the leased areas are not held for capital appreciation or a return of investment through rental income.

Recognition of deferred tax assets

The extent to which deferred tax assets are recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. The capitalised tax loss asset is expected to be fully recovered within 2 years.

29. Post balance sheet events

There are no post balance sheet events to disclose.

NOTES

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