

science group

25 July 2022

SCIENCE GROUP PLC

(‘Science Group’, the ‘Group’ or the ‘Company’)

INTERIM RESULTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022

Summary

- Record H1 results, slightly ahead of the Board’s expectations
- Revenue growth of 10% to £44.8m (H1 2021: £40.7m)
- Adjusted* operating profit increased by 22% to £8.8m (H1 2021: £7.3m)
- Adjusted* basic EPS growth of 10% to 14.6 pence (H1 2021: 13.3 pence)
- The Group continues to actively manage its strategic investment in TP Group
- Balance sheet remains very strong with Group cash of £38.6m and net funds of £23.9m (H1 2021: £29.0m and £13.0m)
- On track for another record year in 2022, despite the deteriorating economic outlook, with Science Group benefitting from sector diversification and a strong US Dollar

Science Group plc

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* Alternative performance measures are provided in order to enhance the shareholders’ ability to evaluate and analyse the underlying financial performance of the Group. Refer to Note 1 for detail and explanation of the measures used.

Interim Results 2022

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

The Group reports record H1 results for the first half of 2022, delivering organic growth in both revenue and adjusted operating profit. For the six months ended 30 June 2022, Group revenue increased by 10% to £44.8 million (H1 2021: £40.7 million), or 7% on a constant currency basis. Adjusted operating profit increased by 22% to £8.8 million (H1 2021: £7.3 million) and adjusted profit before tax was £8.5 million (H1 2021: £6.9 million). Adjusted basic earnings per share increased by 10% to 14.6 pence (H1 2021: 13.3 pence).

The Group retains a robust balance sheet with Group cash (excluding client funds) at 30 June 2022 of £38.6 million (30 June 2021: £29.0 million) and net funds of £23.9 million (30 June 2021: £13.0 million). The long term debt of £14.7 million is secured on the Group's freehold properties. In addition to the term loan, in December 2021 the Group agreed a £25 million Revolving Credit Facility with its bank, which to date has not been drawn.

Excluding treasury shares, at 30 June 2022, the Company had 45.5 million shares in issue (30 June 2021: 41.2 million) and held 0.7 million (30 June 2021: 0.8 million) shares in treasury. Total voting rights at 30 June 2022 were 45.4 million. During the period, an aggregate of 0.2 million shares were purchased for treasury at an average price of 407 pence per share.

R&D Consultancy Division

The R&D Consultancy Division combines leading science and engineering capabilities with market and commercial expertise. It provides advisory and product development services to key vertical sectors, namely: Medical; Consumer; Food & Beverage; and Industrial.

In the first half of 2022, the Medical Sector continued to perform well while the Industrial and Food & Beverage sectors both experienced enhanced growth relative to the same period in the prior half year. As anticipated, the Consumer sector continues to be most affected by the economic uncertainty.

Overall, for the six months ended 30 June 2022, the R&D Consultancy Division generated services revenue of £17.2 million (H1 2021: £15.2 million), a growth rate of 13%. Operating margin in the Division continues to be excellent, benefitting from the strong US Dollar.

In order to provide greater forward visibility and enable the R&D Consultancy Division to benefit from the currency environment, a currency hedging instrument to cap the rate at US\$1.3:£1 has been taken out in relation to the anticipated US Dollar cash flow derived from this Division through to the end of 2023. There is no obligation to sell at this rate and the instrument is designed to protect against a strengthening of Sterling or weakening of the US Dollar.

Regulatory & Compliance Division

The Regulatory & Compliance Division includes the European and North American operations of TSG and the Leatherhead Food Research business. The Division provides scientific and regulatory advice to organisations in the Chemicals, Consumer, Food & Beverage and Medical sectors.

In the first half of 2022, TSG (Europe) performed well, benefiting from a significant contract win with a major agrochemicals provider early in the year. The TSG (America) performance is broadly consistent with same period in the prior half year while Leatherhead has had a slower start to the year reflecting the economic uncertainty. In aggregate, for the six months ended 30 June 2022, the Regulatory & Compliance Division generated revenue of £10.7 million (H1 2021: £10.5 million).

Frontier Smart Technologies Division ('Frontier')

Frontier is the leading provider of DAB/DAB+ radio modules and semiconductors to the consumer electronics market. For the six months ended 30 June 2022, Frontier reported revenue of £15.3 million (H1 2021: £13.6 million) and an adjusted operating profit margin of 22% (H1 2021: 22%). These results include Magic Systech which was acquired in November 2021.

As consumer demand slows in line with the global economic downturn, the supply chain within the semiconductor and components market is anticipated to start to normalise. Similarly freight costs, which became a significant element of unit cost, are returning to prior year levels. The Division is monitoring demand closely, maintaining its strong market share but anticipating the market to adjust to the economic environment.

Corporate

The Corporate function is responsible for Group and PLC matters, together with the strategic development of Science Group. In the period to 30 June 2022, Corporate costs were £1.5 million (H1 2021: £1.4 million), returning to more normal levels after the H2 2021 corporate activity. The Board continues to explore opportunities to increase the scale of the Group but there can be no certainty that any acquisitions will be completed.

Science Group is the largest shareholder in TP Group plc ('TPG') owning 28.0% of the issued share capital. It is actively managing its investment, with two seats on the TPG board including Chairman. The Group has not included within its H1 2022 Income Statement a share of TPG's results as it is not considered to be material for this half year period. As announced by TPG, the restructuring of the business is progressing with disposals of non-core business activities. Within the core operations, TPG Services continues to perform satisfactorily but TPG Maritime has been impacted by onerous legacy contracts which have resulted in substantial provisions having had to be taken (including prior year adjustments) and contracts now being renegotiated.

As with all companies, Science Group is experiencing the effects of inflation, both in staff costs and materials. To date the costs have been broadly offset by the Group benefitting from the relative strength of the US Dollar relative to Sterling and also through cost increases being passed onto customers. The Board also recognises the pressures on staff in relation to energy and fuel costs, which may or may not be a temporary inflationary factor. In order to assist employees at all levels of the Company, but particularly more junior grades, a temporary payment is being made to employees to assist during this challenging period. The Group is also aware of its position in society, particularly within local communities and has therefore maintained its support through charitable donations to foodbanks serving areas close to the Group's offices.

Summary and Outlook

In summary, the first half of 2022 has continued the Group's track record of resilient performance, delivering results slightly ahead of the Board's expectations. The Group is experiencing increases in materials, energy and staff costs but has to date managed to offset the effects.

The macroeconomic environment is unpredictable with global inflationary pressures and destabilising geo-political events, now combined with an uncertain UK political direction and economic policy. Economic performance in some of the Group's markets is anticipated to deteriorate in the months ahead as consumer spending slows. While the Group is not immune to macroeconomic factors, the revenue streams are well diversified with little reliance on individual customers or sectors and therefore is well positioned with solid foundations. As a result, the Board remains cautiously optimistic for the remainder of the year.

The Group also retains a very strong balance sheet, including significant cash resources and undrawn debt facilities. This robust financial strength enables the Group to explore opportunities to increase the scale of Science Group, if appropriate.

Consolidated Income Statement
For the period ended 30 June 2022

		Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
	Note			
Revenue	5	44,783	40,655	81,216
Direct operating expenses		(26,043)	(23,555)	(45,858)
Sales and marketing expenses		(4,684)	(4,388)	(8,824)
Administrative expenses		(7,825)	(6,981)	(13,892)
Share of loss of equity accounted investment		-	-	(1,061)
Adjusted operating profit		8,832	7,250	16,260
Amortisation of acquisition related intangible assets		(1,851)	(1,208)	(2,891)
Share-based payment charge		(750)	(311)	(727)
Share of loss of equity accounted investment		-	-	(1,061)
Operating profit		6,231	5,731	11,581
Finance income		175	-	19
Finance costs		(479)	(340)	(673)
Profit before income tax		5,927	5,391	10,927
Income tax charge (including R&D tax credit of £270,000 (H1-21 £124,000))	6	(1,283)	(711)	(1,366)
Profit for the period		4,644	4,680	9,561
Earnings per share				
Earnings per share (basic)	7	10.2p	11.4p	22.4p
Earnings per share (diluted)	7	9.9p	11.1p	21.7p

Consolidated Statement of Comprehensive Income

For the period ended 30 June 2022

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Profit for the period attributable to:			
Equity holders of the parent	4,644	4,680	9,561
Profit for the period	4,644	4,680	9,561
Other comprehensive income items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations	1,927	(186)	279
Fair value gain on derivative financial instruments	700	382	763
Deferred tax charge on derivative financial instruments	(219)	(71)	(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)
Other comprehensive income/(expense) for the period	2,408	125	(1,579)
Total comprehensive income for the period attributable to:			
Equity holders of the parent	7,052	4,805	7,982
Total comprehensive income for the period	7,052	4,805	7,982

Consolidated Statement of Changes in Shareholders' Equity (unaudited)

Group	Share capital	Share premium	Treasury shares	Merger reserve	Translation reserve	Cash flow 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
Purchase of own shares	-	-	(238)	-	-	-	-	(238)
Issue of shares out of treasury stock	-	-	183	-	-	-	(182)	1
Dividends paid	-	-	-	-	-	-	(1,642)	(1,642)
Share-based payment charge	-	-	-	-	-	-	311	311
Deferred tax credit on share-based payment transactions	-	-	-	-	-	-	264	264
Transactions with owners	-	-	(55)	-	-	-	(1,249)	(1,304)
Profit for the period	-	-	-	-	-	-	4,680	4,680
Other comprehensive income items that may be reclassified to profit or loss:								
Fair value gain on derivative financial instruments	-	-	-	-	-	382	-	382
Exchange differences on translating foreign operations	-	-	-	-	(186)	-	-	(186)
Deferred tax charge on derivative financial instruments	-	-	-	-	-	(71)	-	(71)
Total comprehensive income for the period	-	-	-	-	(186)	311	4,680	4,805
Balance at 30 June 2021	421	9,102	(1,951)	10,343	(1,223)	(227)	28,426	44,891
Group	Share capital	Share premium	Treasury shares	Merger reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 July 2021	421	9,102	(1,951)	10,343	(1,223)	(227)	28,426	44,891
Purchase of own shares	-	-	(324)	-	-	-	-	(324)
Issue of shares out of treasury stock	-	-	1,033	-	-	-	(1,029)	4
Dividends paid	-	-	-	-	-	-	-	-
Share-based payment charge	-	-	-	-	-	-	416	416
Deferred tax credit on share-based payment transactions	-	-	-	-	-	-	355	355
Share placement	41	17,732	-	-	-	-	-	17,773
Transactions with owners	41	17,732	709	-	-	-	(258)	18,224
Profit for the period	-	-	-	-	-	-	4,881	4,881
Other comprehensive income items that may be reclassified to profit or loss:								
Fair value gain on derivative financial instruments	-	-	-	-	-	381	-	381
Exchange differences on translating foreign operations	-	-	-	-	465	-	-	465
Deferred tax charge on derivative financial instruments	-	-	-	-	-	(80)	-	(80)
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	-	-	-	-	465	301	2,411	3,177
Balance at 31 December 2021	462	26,834	(1,242)	10,343	(758)	74	30,579	66,292

Group	Share capital	Share premium	Treasury shares	Merger reserve	Translation reserve	Cash flow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2022	462	26,834	(1,242)	10,343	(758)	74	30,579	66,292
Purchase of own shares	-	-	(910)	-	-	-	-	(910)
Issue of shares out of treasury stock	-	-	21	-	-	-	(21)	-
Dividends paid	-	-	-	-	-	-	(2,270)	(2,270)
Share-based payment charge	-	-	-	-	-	-	750	750
Deferred tax charge on share-based payment transactions	-	-	-	-	-	-	(360)	(360)
Transactions with owners	-	-	(889)	-	-	-	(1,901)	(2,790)
Profit for the period	-	-	-	-	-	-	4,644	4,644
Other comprehensive income items that may be reclassified to profit for loss:								
Fair value gain on derivative financial instruments	-	-	-	-	-	700	-	700
Exchange differences on translating foreign operations	-	-	-	-	1,927	-	-	1,927
Deferred tax charge on derivative financial instruments	-	-	-	-	-	(219)	-	(219)
Total comprehensive income for the period	-	-	-	-	1,927	481	4,644	7,052
Balance at 30 June 2022	462	26,834	(2,131)	10,343	1,169	555	33,322	70,554

Consolidated Balance Sheet

At 30 June 2022

		At 30 June 2022 (Unaudited) £000	At 30 June 2021 (Unaudited) £000	At 31 December 2021 (Audited) £000
Assets				
Non-current assets				
Acquisition related intangible assets		12,667	9,221	13,359
Goodwill		14,964	13,604	14,360
Property, plant and equipment		24,414	23,542	23,384
Investments		9,239	-	9,239
Derivative financial instruments		1,064	-	129
Deferred tax assets		1,602	711	2,120
		63,950	47,078	62,591
Current assets				
Inventories		2,064	1,214	2,454
Trade and other receivables		11,777	10,862	12,208
Current tax assets		1,781	2,793	1,493
Cash and cash equivalents - Client funds	8	2,323	2,228	2,874
Cash and cash equivalents - Group cash	8	38,621	28,962	34,315
		56,566	46,059	53,344
Total assets		120,516	93,137	115,935
Liabilities				
Current liabilities				
Trade and other payables		29,921	25,899	30,042
Current tax liabilities		664	231	776
Provisions	9	781	877	677
Borrowings	10	1,200	1,200	1,200
Lease liabilities	11	937	1,191	1,153
		33,503	29,398	33,848
Non-current liabilities				
Provisions	9	298	679	603
Borrowings	10	13,531	14,715	14,123
Lease liabilities	11	1,501	499	400
Derivative financial instruments		-	252	-
Deferred tax liabilities		1,129	2,703	669
		16,459	18,848	15,795
Total liabilities		49,962	48,246	49,643
Net assets		70,554	44,891	66,292
Shareholders' equity				
Share capital		462	421	462
Share premium		26,834	9,102	26,834
Treasury shares		(2,131)	(1,951)	(1,242)
Merger reserve		10,343	10,343	10,343
Translation reserve		1,169	(1,223)	(758)
Cash flow hedge reserve		555	(227)	74
Retained earnings		33,322	28,426	30,579
Total equity		70,554	44,891	66,292

Consolidated Statement of Cash Flows

For the period ended 30 June 2022

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Profit before income tax	5,927	5,391	10,927
Adjustments for:			
Share of loss of equity accounted investment	-	-	1,061
Amortisation on acquisition related intangible assets	1,851	1,208	2,891
Depreciation on property, plant and equipment	325	364	719
Depreciation of right-of-use assets	398	401	794
Reversal of impairment of right-of-use asset	(197)	-	-
Bank charges on derivative financial instruments	74	-	-
Net interest cost	304	340	654
Share-based payment charge	750	311	727
Decrease/(increase) in inventories	390	49	(1,047)
Decrease/(increase) in receivables	431	(79)	(1,385)
(Decrease)/increase in payables representing client funds	(551)	213	859
Increase/(decrease) in payables excluding balances representing client funds	159	(670)	2,494
Change in provisions	(280)	228	(76)
Cash generated from operations	9,581	7,756	18,618
Interest paid	(430)	(293)	(646)
UK corporation tax paid	(500)	(1,131)	(3,018)
Foreign corporation tax paid	(784)	(540)	(940)
Cash flows from operating activities	7,867	5,792	14,014
Interest received	130	-	3
Purchase of property, plant and equipment	(34)	(411)	(544)
Purchase of intellectual property	-	-	(4,315)
Purchase of interest in associated company	-	-	(12,770)
Purchase of subsidiary undertakings, net of cash acquired	-	-	(1,455)
Cash flow used in investing activities	96	(411)	(19,081)
Issue of shares out of treasury	-	1	5
Share placement	-	-	17,773
Repurchase of own shares	(910)	(238)	(562)
Dividends paid	(2,270)	(1,642)	(1,642)
Purchase of derivative financial instruments	(308)	-	-
Repayment of bank loans	(600)	(600)	(1,200)
Payment of lease liabilities	(667)	(720)	(1,297)
Cash flows used in financing activities	(4,755)	(3,199)	13,077
Increase in cash and cash equivalents in the period	3,208	2,182	8,010
Cash and cash equivalents at the beginning of the period	37,189	29,074	29,074
Exchange gain/(loss) on cash	547	(66)	105
Cash and cash equivalents at the end of the period	40,944	31,190	37,189

Cash and cash equivalents is analysed as follows:

	Six months ended 30 Jun 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Cash and cash equivalents – Client funds	2,323	2,228	2,874
Cash and cash equivalents – Group cash	38,621	28,962	34,315
	40,944	31,190	37,189

Extracts from notes to the financial statements

1. General information

The financial information for the 6 months ended 30 June 2022 set out in this interim report is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information included for the year ended 31 December 2021 has been extracted from the 2021 Financial Statements of Science Group plc. The Group's statutory financial statements for the year ended 31 December 2021 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

These unaudited interim results have been approved for issue by the Board of Directors on 22 July 2022.

The Group and Company financial statements of Science Group plc for the year ended 31 December 2021 were prepared under the International Financial Reporting Standards ('IFRS') as adopted by the UK in conformity with UK-adopted international accounting standards and have been audited by Grant Thornton UK LLP. Copies of the Financial Statements are available from the Company's registered office: Harston Mill, Harston, Cambridge, CB22 7GG and can be found on the Company's website at www.sciencegroup.com.

Science Group plc (the 'Company') and its subsidiaries (together 'Science Group' or 'Group') is an international, science-led services and product development organisation with a freehold property asset base.

The Company is the ultimate parent company in which results of all the Science Group companies are consolidated.

The Company is incorporated in England and Wales and is listed on the Alternative Investment Market of the London Stock Exchange (SAG.L).

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 in the 2021 Financial Statements and the calculations are as follows:

(a) Adjusted operating profit

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

(b) Adjusted earnings per share

The calculation of this measure is disclosed in Note 7.

(c) Net funds

This measure is calculated as follows:

	At 30 June 2022 £000	At 30 June 2021 £000	At 31 December 2021 £000
Cash and cash equivalents – Group cash	38,621	28,962	34,315
Borrowings	(14,731)	(15,915)	(15,323)
Net funds	23,890	13,047	18,992

2. Accounting policies

The principal accounting policies applied in the preparation of these interim financial statements are unchanged from those set out in the financial statements for the year ended 31 December 2021. These policies have been consistently applied to all the periods presented.

2.1 Basis of preparation

These interim consolidated financial statements are for the six months ended 30 June 2022. They have been prepared based on the measurement and recognition principles of IFRS as adopted by the UK in conformity with UK-adopted international accounting standards and IFRIC interpretations issued and effective at the time of preparing these statements. The financial statements have been prepared on the historical cost basis except for certain financial instruments and share-based payments which are measured at fair value.

Going concern

The Directors have considered the current cash balance of £38.6 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 addition to the existing term loan, in December 2021 the Group agreed a £25 million Revolving Credit Facility with its bank, which to date has not been drawn. 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 release of these unaudited interim results and therefore continue to adopt the going concern basis of accounting in preparing the interim financial statements.

3. Financial risk management

3.1 Financial risk factors

The 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. The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Science Group uses derivative financial instruments to hedge certain risk exposures.

4. Segmental 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, (i) R&D Consultancy, and (ii) Regulatory & Compliance. Financial information is provided to the Chief Operating Decision Makers 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 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 at an arm's length market rental rate 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	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Services revenue	27,916	25,750	52,879
Other	1,224	1,029	2,840
Revenue	29,140	26,779	55,719
Adjusted operating profit	6,977	5,177	14,122
Amortisation of acquisition related intangible assets	(756)	(746)	(1,495)
Share-based payment charge	(456)	(278)	(502)
Operating profit	5,765	4,153	12,125

Product Operating Business	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2020 (Audited) £000
Product revenue	15,343	13,620	24,936
Revenue	15,343	13,620	24,936
Adjusted operating profit	3,347	2,967	5,156
Amortisation of acquisition related intangible assets	(1,095)	(462)	(1,396)
Share-based payment charge	(202)	(98)	(240)
Operating profit	2,050	2,407	3,520

Freehold Properties	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Intercompany property income	1,644	1,522	3,046
Third party property income	300	256	561
Revenue	1,944	1,778	3,607
Adjusted operating profit	10	495	361
Share-based payment charge	(17)	(10)	(27)
Operating (loss)/profit	(7)	485	334

Corporate	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Adjusted operating loss	(1,502)	(1,389)	(3,379)
Share-based payment (charge)/credit	(75)	75	42
Share of loss of equity accounted investment	-	-	(1,061)
Operating loss	(1,577)	(1,314)	(4,398)

Group	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Services revenue	27,916	25,750	52,879
Product revenue	15,343	13,620	24,936
Third party property income	300	256	561
Other	1,224	1,029	2,840
Revenue	44,783	40,655	81,216
Adjusted operating profit	8,832	7,250	16,260
Amortisation of acquisition related intangible assets	(1,851)	(1,208)	(2,891)
Share-based payment charge	(750)	(311)	(727)
Share of loss of equity accounted investment	-	-	(1,061)
Operating profit	6,231	5,731	11,581
Finance charges (net)	(304)	(340)	(654)
Profit before income tax	5,927	5,391	10,927
Income tax charge	(1,283)	(711)	(1,366)
Profit for the period	4,644	4,680	9,561

In the Freehold Properties segment, income includes £1.6 million (H1 2021: £1.5 million) generated from inter-segment recharges. The corresponding costs are included within the Operating Business segments and are eliminated on consolidation.

5. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements.

Disaggregation of revenue

In the following tables, revenue is disaggregated by geographical market and by the currency in which the contract is denominated for the relevant Operating Business. Property revenue is generated in the UK and denominated in GBP.

For the period ended 30 June (Unaudited)

Currency	USD £000	EUR £000	GBP £000	Other £000	Total £000
2022	30,506	1,125	13,152	-	44,783
2021	25,209	1,855	13,583	8	40,655

Geographical market	North America £000	Europe (excl. UK) £000	UK £000	Asia £000	Other £000	Total £000
2022	16,958	4,457	6,737	16,364	267	44,783
2021	13,469	6,344	5,482	15,196	164	40,655

6. Income tax

The income tax charge for the period ended 30 June 2022 is charged at the effective tax rate calculated for the period using reasonable estimates and incorporating both current and deferred taxation:

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Profit before tax	5,927	5,391	10,927
Current taxation	(1,246)	(958)	(4,269)
Current taxation – adjustment in respect of prior years	(5)	(126)	(481)
Deferred taxation	(357)	249	2,975
Deferred taxation – adjustment in respect of prior years	55	-	85
R&D tax credit	270	124	324
Tax charge	(1,283)	(711)	(1,366)
Effective tax rate	21.6%	13.2%	12.5%

The Group claims Research and Development tax credits under both the R&D Expenditure Credit scheme and the Small or Medium-sized scheme.

7. Earnings per share

The calculation of earnings per share is based on the following results and number of shares:

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Profit for the financial period	4,644	4,680	9,561
Weighted average number of shares:			
For basic earnings per share	45,608,956	41,217,451	42,660,991
For diluted earnings per share	46,934,814	42,366,174	44,096,093
Earnings per share:			
	Pence	Pence	Pence
Basic earnings per share	10.2	11.4	22.4
Diluted earnings per share	9.9	11.1	21.7

The calculation of adjusted earnings per share is as follows:

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Adjusted* profit after tax for the period	6,652	5,500	12,173
Weighted average number of shares:			
For basic earnings per share	45,608,956	41,217,451	42,660,991
For diluted earnings per share	46,934,814	42,366,174	44,096,093
Adjusted earnings per share:			
	Pence	Pence	Pence
Basic earnings per share	14.6	13.3	28.5
Diluted earnings per share	14.2	13.0	27.6

*Calculation of adjusted profit after tax:

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Adjusted operating profit	8,832	7,250	16,260
Finance income	175	-	19
Finance costs	(479)	(340)	(673)
Adjusted profit before tax	8,528	6,910	15,606
Tax charge at the blended corporation tax rate of 22.0% (H1-21: 20.4%)	(1,876)	(1,410)	(3,433)
Adjusted profit after tax	6,652	5,500	12,173

8. Cash and cash equivalents

	Six months ended 30 June 2022 (Unaudited) £000	Six months ended 30 June 2021 (Unaudited) £000	Year ended 31 December 2021 (Audited) £000
Cash and cash equivalents – Client funds	2,323	2,228	2,874
Cash and cash equivalents – Group cash	38,621	28,962	34,315
	40,944	31,190	37,189

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 are unrestricted.

9. Provisions

(Unaudited)	Dilapid -ations £000	Restruct- uring £000	Legal £000	Other £000	Total £000
At 1 January 2021	764	80	479	14	1,337
Increase in provision	20	-	240	6	266
Utilisation of provision	(5)	(10)	(23)	-	(38)
Loss on foreign currency fluctuations	(6)	-	(3)	-	(9)
At 30 June 2021	773	70	693	20	1,556
Increase in provision	69	-	8	-	77
Utilisation of provision	-	-	(7)	-	(7)
Provision reversed during the year	(84)	-	(265)	(20)	(369)
Gain on foreign currency fluctuations	12	-	11	-	23
At 31 December 2021	770	70	440	-	1,280
Increase in provision	27	-	5	-	32
Utilisation of provision	(2)	-	(146)	-	(148)
Provision reversed during the year	(164)	-	-	-	(164)
Gain on foreign currency fluctuations	56	-	23	-	79
At 30 June 2022	687	70	322	-	1,079

	At 30 June 2022 (Unaudited) £000	At 30 June 2021 (Unaudited) £000	At 31 December 2021 (Audited) £000
Current liabilities	781	877	677
Non-current liabilities	298	679	603
	1,079	1,556	1,280

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 business will seek to recover these costs against the third party but cannot be guaranteed. 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 12 months.

10. Borrowings

	At 30 June 2022 (Unaudited) £000	At 30 June 2021 (Unaudited) £000	At 31 December 2021 (Audited) £000
Non-current bank borrowings	13,531	14,715	14,123
Current bank borrowings	1,200	1,200	1,200
	14,731	15,915	15,323

The Group has a 10-year fixed term loan and has interest rate swaps in place to fix the interest at an effective rate of 3.5%. The repayment profile of the loan is £1.2 million per annum over the term with the remaining balance repaid on expiry of loan in 2026.

The Group has 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 million, with an additional £5 million accordion option, for a term of four years (commenced in December 2021) with a one-year extension. The RCF is in addition to the Group's existing term loan.

11. Lease liabilities

	At 30 June 2022 (Unaudited) £000	At 30 June 2021 (Unaudited) £000	At 31 December 2021 (Audited) £000
Non-current lease liabilities	1,501	499	400
Current lease liabilities	937	1,191	1,153
	2,438	1,690	1,553

Lease liabilities arise on properties leased by the Group. The leases have remaining periods of between 1 and 5 years from the balance sheet date.

12. 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 2022, the Group had an associate investment shareholding in TP Group plc ('TPG'). On 16 December 2021, the Group made available a standby revolving credit facility to TPG. 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. The facility was utilised for short periods to provide liquidity, however was undrawn at 30 June 2022.

13. Subsequent events

There are no post balance sheet events to disclose.

14. Critical accounting estimates and judgements

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

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