



SmartRadio
Technology

Regulatory &
Compliance

R&D
Consultancy

ANNUAL REPORT AND FINANCIAL STATEMENTS

2020

science group plc

OVERVIEW

- 2 Highlights
-

STRATEGIC REPORT

- 4 Chairman's Statement
-
- 8 Finance Director's Report
-
- 10 Key Performance Indicators
-
- 10 Principal Opportunities and Risks
-
- 13 Viability Statement
-
- 13 Corporate Responsibility
-

REPORT OF THE DIRECTORS

- 17 Report of the Directors
-
- 20 Corporate Governance Report
-
- 21 Board Committees
-
- 22 Report of the Remuneration Committee
-
- 24 Report of the Audit Committee
-
- 25 Report of the Nomination Committee
-
- 26 Directors' Responsibilities
-
- 26 Approval
-

INDEPENDENT AUDITOR'S REPORT

- 27 Independent Auditor's Report
-

FINANCIAL STATEMENTS

- 39 Consolidated Income Statement
-
- 40 Consolidated Statement of
Comprehensive Income
-
- 41 Consolidated Statement of
Changes in Shareholders' Equity
-
- 43 Company Statement of
Changes in Shareholders' Equity
-
- 44 Consolidated and Company
Balance Sheet
-
- 46 Consolidated and Company
Statement of Cash Flows
-
- 48 Notes to the Financial Statements
-

Resilient performance in an unprecedented year.

Science Group is an international, science-led services and product development organisation with a freehold property asset base. We aim to deliver shareholder returns through profitable development of our businesses, based on financial, commercial and operational discipline augmented by incremental & strategic acquisitions. Since 2010, the group has delivered substantial growth in revenue and profit without shareholder dilution.



1986



Formation of Scientific Generics Limited

IPO and listing on the London Stock Exchange



2001

2006



Name change to Sagentia Limited

New Chairman invests and joins the board



2010

2013



Acquisition of OTM Consulting

FINANCIAL HIGHLIGHTS

Revenue

↑ **29%**
£73.7m

Adjusted Operating Profit

↑ **62%**
£10.9m

Adjusted Basic EPS

↑ **67%**
19.4p



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

2020



Record Revenue
and Adjusted
Operating Profit



Chairman's Statement

Science Group is an international, science-led services and product development organisation with a significant freehold property asset base. Following the Frontier acquisition in 2019 and the natural evolution of the services operations, the Group now comprises three divisions: R&D Consultancy; Regulatory & Compliance; and Frontier Smart Technologies ('Frontier').

Notwithstanding a global pandemic, the Group achieved record results in 2020 benefitting from both its acquisition strategy and organic development which have combined to create a financially and operationally resilient organisation. Over the past decade, these acquisitions have been funded primarily from the Group's existing cash resources without shareholder dilution. As a result, the issued share capital (excluding treasury shares) at 31 December 2020 is in line with December 2010 while revenue over the past decade has increased more than 3-fold and adjusted operating profit more than 4-fold, delivering significant value to shareholders.

Chairman's Statement (continued)

Financial Summary

For the year ended 31 December 2020, Group revenue was £73.7 million (2019: £57.2 million), reflecting the full year contribution from Frontier. Group adjusted operating profit increased by 62% to £10.9 million (2019: £6.7 million) benefitting from the successful turnaround of the 2019 acquisition of Frontier Smart Technologies. Adjusted basic earnings per share increased by 67% to 19.4 pence (2019: 11.6 pence).

Amortisation of acquisition related intangibles and share based payment charge totalled £3.7 million (2019: £3.5 million) and as a result, the Group reported an operating profit of £7.1 million for the year (2019: operating loss of £0.2 million which included one-off costs and accounting adjustments arising from the acquisition of Frontier totalling £4.1 million). The Group reported profit before tax of £6.4 million (2019: loss of £1.6 million) and basic earnings per share of 16.9 pence (2019: loss of 4.5 pence).

Science Group continues to benefit from excellent cash conversion and a very strong balance sheet. At 31 December 2020, gross cash was £27.1 million (2019: £13.9 million) and net funds were £10.6 million (2019: net debt of £2.3 million). The Group's bank debt at 31 December 2020 was £16.5 million (2019: £16.2 million) having been increased by an additional £1.5 million in May 2020. The Group's bank debt is tied to interest rate swaps to produce a net fixed rate (effectively 3.5%) to 2026 and is secured on the Group's freehold property assets. Subject to net debt not exceeding £10 million, the bank debt is not subject to operating covenants.

Alternative performance measures are provided in order to enhance shareholders' ability to evaluate and analyse the underlying financial performance of the Group. Adjusted operating profit and other Alternative Performance Measures used in this report are defined in the Finance Director's Report. In the reporting and commentary below, following the division reconfiguration, the 2019 comparators have, where appropriate, been restated to align to the new structure.

R&D Consultancy

The R&D Consultancy division provides science-led advisory and product/technology development services. The division incorporates leading science and engineering capabilities combined with expertise in key vertical sectors, namely: Medical; Consumer; Food & Beverage; and Industrial. The division will now operate under a unified brand of Sagentia Innovation and reports through a single Managing Director.

In 2020, the medical sector performed well benefitting from participation in the UK Government's urgent ventilator initiative early in the year. Other sectors and advisory services were more affected by the pandemic due to their shorter project durations and the discretionary nature of such activities.

For the year ended 31 December 2020, the R&D Consultancy division generated revenue of £32.2 million (2019:

£30.6 million) including a significant increase of non-services (materials) pass-through revenue in H1 2020. During the second half of 2020, investment was increased in a number of areas, including senior sales & business managers, on the basis that the pandemic may have a prolonged effect, particularly on international travel. This investment has contributed to the division having a good start to the current year, particularly in the medical sector, and there is increasing optimism as clients reinvest in their businesses.

Regulatory & Compliance

The Regulatory & Compliance division provides scientific advice, registration and compliance of regulated products internationally and comprises the North American and European operations of TSG, acquired in 2017, together with Leatherhead Food Research, acquired in 2015. The European regulatory and compliance activities were further integrated in the second half of the year and now report to a single Managing Director.

The North American operations performed particularly well in 2020 due to increasing demand for regulatory services to approve pandemic-related products. In addition, the TSG America regulatory renewals activity continued to make good progress, building its recurring revenue base.

For the year ended 31 December 2020, with all business areas reporting organic growth, the Regulatory & Compliance division generated revenue of £20.1 million (2019: £18.1 million). Of this revenue around 26% is of a recurring nature, primarily within the Food & Beverage sector and the USA Renewals activities. Profit contribution from the division significantly improved in the year and the outlook for the Regulatory & Compliance division in 2021 remains positive.

Frontier Smart Technologies

Frontier Smart Technologies is the market leader in DAB/DAB+/SmartRadio technology chips and modules. Following the completion of the acquisition of Frontier in 2019, an accelerated restructuring/integration programme was successfully executed, including the closure of the Romanian operations, a streamlining of product lines and the relocation of the Cambridge and London operations, producing a substantial reduction in the operating cost base. This intense programme was completed just before the pandemic outbreak and positioned Frontier to weather the challenges in the first half and deliver an excellent second half performance.

For the year ended 31 December 2020, Frontier reported revenue of £20.5 million (2019: £7.5 million, in the post-acquisition period) and an adjusted operating profit margin in line with the services businesses.

Demand for digital consumer radio products in 2020 increased with initial indications suggesting a DAB market growth in the order of 10%. Demand also increased in SmartRadio (DAB + FM + Internet) with this higher end range accounting for a greater proportion of Frontier product shipments. The

Chairman's Statement (continued)

Frontier Smart Technologies (continued)

Frontier outlook for the current year is positive, subject to semiconductor component availability, and foreign exchange movements since Frontier sales are denominated in US Dollars.

Following the successful turnaround and integration, in January 2021 the Board announced that the future strategy for Frontier was to be reviewed, with three potential outcomes: (i) to retain the business within the Group; (ii) to increase operating scale through the merger or acquisition of a similar business or businesses; or (iii) to sell all or part of the business. The Board and the Frontier management team continue to consider all these alternatives with external advisers. The Board remains open minded as to the outcome and this process may take some time.

Freehold Properties

Science Group owns two freehold properties, Harston Mill near Cambridge and Great Burgh in Epsom. The last independent valuation in March 2018 indicated aggregate values of these properties in the range £22.6 million to £33.9 million. The properties are held on the balance sheet on a cost basis at £21.2 million (2019: £21.4 million). Great Burgh is owned by a property subsidiary of Science Group plc, which is the preferred structure. For legacy reasons, Harston Mill is currently owned by the trading company, Sagentia Limited, and it is the declared intention to address this anomaly. However, this action if/when effected will result in a tax payment outflow of approximately £2 million and was prudently deferred following the Covid-19 outbreak.

For the year ended 31 December 2020, the rental and associated services income derived from the Group's freehold properties was £4.0 million (2019: £3.9 million), of which income of £0.8 million (2019: £1.0 million) was generated from third-party tenants and £3.2 million (2019: £2.9 million) from the Group's operating businesses. Adjusted operating profit of £1.0 million (2019: £1.5 million) included an increased investment in refurbishing and upgrading the properties. Intra-group charges are eliminated on Group consolidation but the reported segmental profit of the operating divisions includes property rental at market rates.

The Group's debt of £16.5 million at 31 December 2020 (2019: £16.2 million) is secured against the freehold property assets and the associated interest charge for the year was £0.6 million (2019: £0.6 million). Interest on the debt is reported below operating profit in the consolidated results.

Corporate

The corporate function is responsible for Group and PLC matters, together with the strategic development of Science Group. Corporate costs increased in the period to £2.4 million due to a number of one-off items (2019: £1.7 million).

As an acquisitive Group, the Board actively addresses corporate structures to ensure that (i) unnecessary

administration is minimised (ii) tax losses can be utilised; and (iii) subsidiary dividend traps are avoided. In 2020, the Group closed 4 subsidiaries both in the UK and internationally and the legacy ownership structure of TSG Europe was also addressed to remove an anomalous minority equity shareholding via the USA business. In addition, capital restructurings of Frontier and another subsidiary (Sagentia Technology Advisory Limited) have been completed.

In the first half of 2020, the Group received £0.1 million under the UK Government furlough scheme. While very modest, this was an appropriately prudent action taken as part of a wider programme at a time of considerable uncertainty. In the light of the Group's full year performance, the Board repaid the monies received under the furlough scheme in the second half.

Due to the Covid-19 pandemic, the Board withdrew the dividend for the year ended 31 December 2019 but paid an interim dividend of 2.0 pence per share in October 2020 when the performance of the Group was more apparent. However, while the dividend payment was reduced in 2020, in aggregate, including share buy-backs, £2.5 million (2019: £2.0 million) was returned to shareholders. The Board is recommending a dividend of 4.0 pence per share which, subject to shareholder approval at the Annual General Meeting ('AGM'), will be payable on 18 June 2021 to shareholders on the register at the close of business on 21 May 2021.

During the year, the Company has repurchased 715,000 shares at a total cost of £1.7 million (2019: 98,000 shares at a cost of £0.2 million). As a result, after share option exercises, at 31 December 2020, shares in issue (excluding treasury shares held of 0.8 million) were 41.2 million (2019: 41.7 million excluding treasury shares held of 0.4 million).

Geopolitical Considerations, including Brexit

Brexit has not to date and is not envisaged to have a material effect on Science Group. The most significant impact is anticipated to be in the Regulatory & Compliance division in Europe and on balance, the net effect is anticipated to be positive as additional regulatory regimes create further opportunities. Within the R&D Consultancy business there is expected to be some impact in countries which financially incentivise research and development work through EU-based entities, but this effect is not expected to be material to the Group.

By contrast, 33% of the Group's business is derived from clients based in North America compared with 17% directly from Europe, and 57% of Group revenue is denominated in US dollars compared with 5% in Euros. As such, business/trading relations and the corresponding currency relationships with the USA are a far greater consideration for Science Group. For example, the average Sterling-US dollar exchange rate in 2019 was 1.28; in 2020 it was 1.29; and in February 2021 the average exchange rate was 1.39. Therefore, while monitoring the effect of Brexit is important, the new administration in the USA has potentially far greater impact on the Group's business and operations.

Chairman's Statement (continued)

Environmental, Social & Governance

The Group takes its responsibilities within the community and to the environment seriously. During the Covid-19 pandemic, the Group has been particularly mindful of its social responsibilities and the impact on local communities. The Group made donations in the first UK lock-down to local foodbanks. In the second phase, the Group increased charitable donations and engaged employees across the world in recipient selection and donations were made to twelve charities, mainly foodbanks, across seven different countries.

Whilst the Group's services in the main are based on intellectual capital and therefore do not directly impact the environment, within the Group's offices and laboratory facilities the usage of energy, water and other resources is proactively managed. For example, the Group undertakes energy audits for major sites and implements suggestions as practicable; has adopted increased use of LED and motion-controlled lighting; and increasingly sources electricity in the UK (both Epsom and Harston) from renewable sources. Furthermore, in the latter half of 2020, the Group has also invested in electrical vehicle charging points at its major UK sites.

Summary

In summary, despite the challenges resulting from the Covid-19 pandemic, the performance of Science Group in 2020 has been very satisfactory, reflecting the portfolio nature of the Group balancing exposure to sectors, service/product lines and geographies. The resilient performance, achieved in an unprecedented environment, is a credit to the commitment and dedication of Science Group employees. The unusual circumstances, with minimal international travel and refocused marketing activities, also enabled the Board to invest in evolving the business operations to position for the inevitable longer-term change resulting from such a global event. As a result, the Board is optimistic for the continued progress of the Group in 2021, and has experienced a good start to the current year whilst remaining mindful of the ongoing economic uncertainty.

With a strong balance sheet including significant cash resources, the Board continues to cautiously explore both add-on acquisitions and larger opportunities to increase the scale of the Group. However, there can be no certainty that any transactions will satisfy the Board's evaluation criteria and diligence process.

Martyn Ratcliffe

Chairman

Finance Director's Report

Overview of results

In the year ended 31 December 2020, the Group generated revenue of £73.7 million (2019: £57.2 million) benefitting from the full year inclusion of Frontier following the acquisition during 2019 (in which 4 months' trading was consolidated). Revenue from the services operating businesses, that is revenue derived from consultancy services and materials recharged on these projects, increased to £52.3 million (2019: £48.7 million) while product revenue generated by Frontier increased to £20.5 million (2019: £7.5 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 £0.8 million (2019: £1.0 million).

Adjusted operating profit for the Group increased to £10.9 million (2019: £6.7 million, including the Frontier contributed loss of £1.3 million in the post-acquisition period). The Group's statutory operating profit of £7.1 million (2019: loss of £0.2 million) includes the amortisation of acquisition related intangible assets and the share based payment charge totalling £3.7 million (2019: £3.5 million, in addition to one-off costs and accounting adjustments arising from the acquisition of Frontier totalling £4.1 million). The statutory profit before tax was £6.4 million (2019: loss before tax of £1.6 million) and statutory profit after tax was £7.0 million (2019: loss after tax of £1.8 million) which included a tax credit of £0.6 million (tax charge of £0.2 million). Statutory basic earnings per share ('EPS') was 16.9 pence (2019: loss per share of 4.5 pence, due to the Frontier one-off costs relating to the acquisition and integration).

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.

Foreign exchange

A significant proportion of the Group's revenue is denominated in US Dollars and Euros. Changes in exchange rates can have a significant influence on the Group's financial performance. In 2020, £41.8 million of the Group operating business revenue was denominated in US Dollars (2019: £28.7 million), with all of Frontier revenue denominated in US Dollars, and £3.6 million of the Group operating business revenue was denominated in Euros (2019: £3.6 million). The average exchange rate during 2020 was 1.29 for US Dollars and 1.13 for Euros (2019: 1.28 and 1.14 respectively). To date, the Group has opted not to utilise foreign exchange hedging instruments but keeps this under review.

Taxation

The tax credit for the year was £0.6 million (2019: tax charge of £0.2 million) due to the recognition of brought forward tax losses in Frontier of £1.6 million of which £0.6 million was utilised in 2020 and the remainder will be utilised in future periods. Following the successful turnaround and Frontier's profitability in 2020, there is greater certainty of the utilisation of these losses in the future and hence a proportion of the Frontier tax losses were recognised.

At 31 December 2020, Science Group had £31.7 million (2019: £34.7 million) of tax losses of which £21.4 million (2019: £24.0 million) relate to trading losses in Frontier. Of these Frontier losses, £3.2 million (2019: £nil) were utilised in 2020 and a further £5.3 million (2019: £nil) of losses were recognised as a deferred tax asset which are anticipated to be used to offset future trading profits. The carried forward Frontier losses of £16.1 million (2019: £24.0 million) have not been recognised as a deferred tax asset due to the uncertainty in the timing of utilisation of these losses. The other tax losses of £10.3 million (2019: £10.5 million) have not been recognised 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 ('CRF') was £17.2 million (2019: £5.4 million). Reported cash from operating activities in accordance with IFRS was £17.7 million (2019: £5.4 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 measures, adjusting for CRF, more accurately reflect the Group's cash position and cash flow.

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. As a prudent measure, the loan was increased by £1.5 million (2019: £1.2 million) to the maximum level of £17.5 million on similar terms to those previously in place. Phased interest rate swaps hedge the loan resulting in a fixed effective interest rate of 3.5%, comprising a margin over 3 month LIBOR, the cost of the loan arrangement fee and the cost of the swap instruments. The term loan has no operating covenants as long as the Group net bank debt is less than £10 million. If this threshold is crossed, two conditions apply: (i) a financial covenant, measured half-yearly on a 12 month rolling basis, such that annual EBITDA must exceed 1.25 times annual debt servicing (capital and interest) and (ii) a security covenant whereby the loan to value ('LTV') ratio of the securitised properties must remain below 75%. If either of these conditions are breached, a remedy period of 6 months is provided, during which time the EBITDA or LTV condition can be remedied, or the net bank debt can be reduced to less than £10 million. The Group has adopted hedge accounting for the interest rate swap related to the bank loan under IFRS 9, Financial Instruments, and the loss on change in fair value of the interest rate swaps was £519,000 (2019: loss of £408,000) which was recognised in Other Comprehensive Income.

Finance Director's Report (continued)

Financing and cash (continued)

The Group cash balance (excluding CRF) at 31 December 2020 was £27.1 million (2019: £13.9 million) and net funds were £10.6 million (2019: net debt of £2.3 million). CRF of £2.0 million (2019: £1.5 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 2020 (2019: 32 days). Inventory days reduced to 43 days at 31 December 2020 (2019: 79 days), an exceptionally low level due to constraints in Frontier materials supply.

Share capital

At 31 December 2020, the Company had 41,238,392 ordinary shares in issue (2019: 41,700,440) and the Company held an additional 823,643 shares in treasury (2019: 361,595). Of the ordinary shares in issue, 104,400 (2019: 104,400) shares are held by the Employee Benefit Trust associated with the Frontier acquisition, and hence the voting rights in the Company at 31 December 2020 are 41,133,992 (2019: 41,596,040). 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.

Rebecca Archer

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, consultant billed hours and daily fee rates 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 this 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 and continues to provide 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 2020 the Group operated through a combination of remote working and laboratory or other essential site-based working in Covid-19 secure premises. The Group also strengthened its business development teams in North America to mitigate the impact of being unable to travel between the UK and the US, one of the Group's major markets.

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. This was demonstrated in 2020 during which demand for advisory services for consumer-facing sectors was impacted due to the discretionary nature of customer budgets for these projects, whereas demand for regulatory and compliance services increased as a result of new, Covid-related products particularly in the US.

The Frontier division saw high demand for its products in the second half of 2020 as consumer behaviours changed during the pandemic and its associated restrictions. It is unclear how the future lifting of restrictions will impact consumer behaviour. The Group mitigates 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.

Brexit

The Group does not anticipate a material impact on its operations as a result of Brexit and expects to operate its business with the EU in a similar way to its business with the US, which has for many years been the Group's major market. The R&D Consultancy division may experience some impact in EU countries which financially incentivise the outsourcing of R&D with EU-based entities, but this is not anticipated to be material. Frontier's business is denominated in US Dollars and its customers are largely based in Asia, so Brexit is not considered to pose a significant risk to this division.

Brexit may provide opportunities for the Group, in particular in the Regulatory & Compliance division, which is anticipated to benefit from an increased demand for its services due to increased regulatory complexity and the potential divergence between the UK and EU regulatory frameworks. The Group's local presence in EU countries also allows it to continue to provide regulatory services within the EU.

Technology advances

The on-going development of new and existing technologies provide opportunities for Science Group to provide market-leading 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.

Principal Opportunities and Risks (continued)

Market for outsourced services

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.

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 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 broadcasts.

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 2020 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 and Hong Kong to manage relationships with customers and manufacturing locations.

Supply chain risk for Frontier

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 got worse 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.

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 risks associated with recruitment and retention of key personnel can be compounded by upward pressure on salaries and remuneration packages due to skill shortages or economic inflation.

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.

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.

Principal Opportunities and Risks (continued)

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 Science Group undertakes 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 Sterling, including but not limited to the US Dollar and Euro, whilst the majority of the Group's employee-based costs are incurred in 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 or negative, on Group revenue and profit performance.

The Group seeks to mitigate this risk by transferring all foreign currency holdings into 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.

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 the Covid-19 outbreak or component supply constraints.

Principal risk: Dependence on key personnel – a downside may include the loss of key personnel.

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 bank loan covenants for this assessment period and noted that there is no expectation for the operating covenants to be applicable, as the prerequisite for this (net debt level exceeding £10 million) is not at present forecast to materialise in the assessment period. Should this threshold become relevant, the Board would consider the risks accordingly.

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 on page 20.

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 2020 examples of this included:

- streamlining of the Group's operating businesses into three divisions: R&D Consultancy, Regulatory & Compliance and Frontier Smart Technologies. The Directors considered that this change would promote a number of long term benefits including operational efficiencies, broader and more agile service offerings for customers, and increased development opportunities for employees.
- implementation of changes to the Group's recruitment practices to promote a greater diversity of applicants, involving consideration of the long term benefits of increasing diversity at all levels within the Group. For more information see the section on Diversity, equity and inclusion on page 15.

Corporate Responsibility (continued)

Section 172 statement (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 following the outbreak of the Covid-19 pandemic regarding how to continue working effectively while prioritising employees' safety and wellbeing. Accordingly, Group-wide protocols and initiatives have been put in place to protect and support employees. These include:

- 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.
- rewarding employees' resilience and commitment during a challenging year by payment of a one-off £500 bonus to all eligible, permanent employees (pro-rated for part time staff and localised for employees outside of the UK).
- 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.
- continuing to take a prudent and cautious approach to the Group's operating model to minimise any job losses and secure the future of employees in an economic environment that is challenging and unpredictable.

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 on page 22, the sections below entitled Training and development and Diversity, equity and inclusion, and the Statement on engagement with employees on page 18.

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 on-going 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 2020 this was a particular focus in relation to the Frontier division which experienced supply chain disruption. 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 install electric vehicle charging points at its two main UK sites in order to encourage the use of electric vehicles and therefore reduce emissions; and to make charitable donations to food banks local to each of the Group's sites around the world to support local communities facing hardship as a result of the Covid-19 pandemic. For more information see the section entitled Environmental, Social and Governance on page 16.

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. For example, while it was a prudent action to access furlough funds at a time of uncertainty in the first half of 2020, in light of the Group's performance later in the year the Board considered it appropriate to repay all furlough funds received from the UK Government.

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 2020 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 on page 20.

Employee training and development

Science Group's employees are the business's 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. In 2020, in line with the Group's commitment to supporting the development of a diverse workforce, this also included diversity and inclusion training for managers. 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)

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'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.

During 2020 the Group implemented a series of initiatives to support its vision for increased diversity and inclusion with the Group. These include changes to recruitment practices designed to reduce the likelihood of unconscious bias, manager training, the development of a defined diversity strategy, and informal engagement with employees.

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 2020				31 December 2019			
	Male		Female		Male		Female	
	No	%	No	%	No	%	No	%
Plc Board of Directors & Company Secretary	4	67%	2	33%	4	67%	2	33%
Senior management & staff (>£75,000 per annum salary)	63	66%	33	34%	60	73%	22	27%
Other employees	161	52%	150	48%	187	53%	167	47%
Total employees	228	55%	185	45%	251	57%	191	43%

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 annually by the Board. The Board Executive Director, responsible for health and safety, is the Chief Financial Officer Designate 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 2020 the impact of the Covid-19 pandemic required 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. The Group undertakes energy audits regularly (the most recent in 2019) and implements practicable recommendations, such as the increased use of LED and motion-sensor lighting. 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. In the latter half of 2020 the Group has also invested in electric vehicle charging points at both the Epsom and Harston sites for employees' usage. The Group also aims to reduce waste and, where practicable, re-use and recycle consumables. The Group's environmental policy is under continual review and the Group considers related initiatives on an ongoing basis.

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 2020 the Group undertook in excess of 30 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.

Social - Throughout the Covid-19 pandemic the Group has been mindful of its responsibilities in the community. The Group made donations to local foodbanks and other charities in all of its locations in UK, US, China, Hong Kong, France, Spain and Germany to support local communities facing hardship as a result of the pandemic. 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 on page 20.

Approved by the Board of Directors on 8 March 2021 and signed on its behalf by:

Martyn Ratcliffe
Chairman

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 2020.

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 Chairman's Statement 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 4.0 pence per share for the year ended 31 December 2020. An interim dividend of 2.0 pence per share was paid on 23 October 2020. No dividend was paid in respect of the year ended 31 December 2019.

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.

Substantial shareholdings

As at 5 March 2021, 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	11,412,080	27.74%
Canaccord Genuity Group Inc	6,918,811	16.82%
Ruffer LLP	4,207,612	10.23%
BGF Investment Management Ltd	2,600,658	6.32%
Otus Capital Management	2,194,021	5.33%
Herald Investment Management Ltd	1,669,950	4.06%
Charles Stanley & Co	1,391,190	3.38%

Directors

The Directors and associated biographies are listed on pages 18 and 19.

Peter Bertram and Sameet Vohra were appointed by the Board in June 2020 and January 2021 respectively, and as such they will both offer themselves for re-election at the next Annual General Meeting. Martyn Ratcliffe will retire by rotation and offer himself for re-election at the next Annual General Meeting.

David Courtley retired from the Board on 31 May 2020. Rebecca Archer will retire from the Board following completion of the 2020 audit and the posting of the Annual Report and financial statements to shareholders.

Directors' interests in shares and contracts

Directors' interests in the shares of Science Group plc at 31 December 2020 and 31 December 2019, and any changes subsequent to 31 December 2020, 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.

Annual General Meeting

The Annual General Meeting ('AGM') will be held on 19 May 2021 at 17 Waterloo Place, London, SW1Y 4AR. The notice of the Annual General Meeting contains the full text of resolutions to be proposed. It is probable that the AGM will again be subject to restrictions related to the Covid-19 pandemic and the Board requests understanding and cooperation in this regard.

Purchase of own shares

At the AGM on 16 June 2020, shareholders approved a resolution for the Company to buy back up to 10% of its own shares. This resolution remains valid until the conclusion of the next Annual General Meeting in 2021 or 30 June 2021 if earlier. As at the date of this report, the Company has bought back 633,420 shares pursuant to this authority. For further information refer to Note 22.

Report of the Directors (continued)

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 2020 there has been a particular focus on communication with employees in light of the Covid-19 pandemic and its associated challenges and adjustments to working practices. 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.

Employees in all offices were consulted for suggestions for recipient organisations of the Group’s local charitable donations during 2020. The involvement of employees in the Group’s performance has been encouraged 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 on page 14.

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 on page 14.

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 other charities in all of its locations specifically to support local communities facing hardship as a result of the Covid-19 pandemic.

As a result, total charitable contributions made in 2020 were approximately £33,000 (2019: £1,500). No political donations were made during the period (2019: £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.

Auditor

KPMG LLP resigned as auditor with effect from 7 May 2020. Grant Thornton UK LLP were appointed as auditor from that date and were re-appointed at the AGM on 16 June 2020.

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 2019	Date of (re-) appointment	Date of retirement	Board Committee		
Martyn Ratcliffe	Chairman	19/04/2018		N		
Rebecca Archer	Finance Director	19/05/2020				
Daniel Edwards	Group Managing Director	24/04/2019				
David Courtley*	Non-Executive	24/04/2019	31/05/2020	A	N	R
Michael Lacey-Solymar*	Non-Executive	24/04/2019		A	N	R
Peter Bertram*	Non-Executive	17/06/2020		A	N	R

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

Report of the Directors (continued)

Directors' Biographies

Below are the biographies of the current Directors:

Martyn Ratcliffe – Chairman*

Martyn Ratcliffe was appointed Chairman on 15 April 2010 following his investment in Sagentia Group, now Science Group. 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.

Rebecca Archer – Finance Director

Rebecca Archer was appointed to the Board on 27 January 2014. Mrs Archer is a Chartered Accountant and has a degree in Physics from the University of Oxford. She qualified at Deloitte where she spent six years including three years in New Zealand and joined Science Group from RM plc where she was Business Finance Partner for the Managed Services Business. Mrs Archer will retire from the Board following completion of the 2020 audit and the posting of the Annual Report and financial statements to shareholders.

Sameet Vohra – Chief Financial Officer Designate*

Sameet Vohra was appointed to the Board on 11 January 2021. Mr Vohra has a degree in Economics from the University of Nottingham and qualified as a Chartered Accountant with KPMG where he spent eight years. His previous roles include Group Director of Finance at Spectris plc, Group Financial Controller at TT Electronics plc and Interim Group Finance Director at Ted Baker plc.

Daniel Edwards – Group Managing Director

Dan 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 US 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 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 currently Chairman of Manolet Partners plc. 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

Biographical details of the Directors are included on page 19.

At 31 December 2020, the Board comprised an Executive Chairman (part-time), Group Managing Director, 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 Chairman, Group Managing Director and Finance Director present if appropriate.

The Chairman 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 24 times during 2020 (2019: 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.

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 Chairman 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 2020 due to Covid-19 restrictions. This may also occur in 2021 and the Board will advise 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 2020, in addition to base salary, benefits included pension contributions, healthcare and life assurance benefits, a Group bonus/profit share scheme, 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 Chairmen 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 Chairman 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 6 times during 2020 (2019: 4). 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 6 times during 2020 (2019: 6). It may take advice from time to time from external advisers, but did not do so in 2020. 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 3 times during 2020 (2019: 2). It may take advice from time to time from external advisers and during 2020 an external search firm was appointed in relation to the Finance Director succession process. 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 2020 were as follows:

	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held in 2020	24	6	6	3
Martyn Ratcliffe	24	6*	6*	3
Rebecca Archer	21	6*	5*	3*
Daniel Edwards	24	6*	6*	3*
David Courtley*	8	3	4	2
Michael Lacey-Solymar	24	6	6	3
Peter Bertram**	19 ¹	4 ²	3 ³	1

* Attendance by invitation

¹ 5 by invitation prior to appointment

² 1 by invitation prior to appointment

³ 1 by invitation prior to appointment

+ David Courtley retired on 31 May 2020

++ Peter Bertram was appointed on 17 June 2020

Report of the Remuneration Committee

Remuneration Committee

The Remuneration Committee is chaired by Michael Lacey-Solymer and currently comprises Michael Lacey-Solymer 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 Chairman 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 2020. The Remuneration Committee also approved a number of individual discretionary bonuses as well as payment of a one-off £500 bonus 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 a 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 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 Chairman 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;
- 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 Chairman does not receive these benefits;
- share options – share option grants are reviewed regularly and granted on a discretionary basis by the Remuneration Committee. The Chairman 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 Chairman, 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 Chairman and Non-Executive Directors receive a fixed salary. The Chairman 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 Chairman) 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 market price of the shares at 31 December 2020 was 280.0 pence (2019: 249.0 pence). The highest and lowest price during the year was 280.0 pence and 170.0 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 2021 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 2022 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 the net debt of the Group exceeding £10 million, at which point bank covenants would apply. The conclusion was that, under the worst case downside scenario, the net debt would remain below £10 million and hence covenants would not apply

and that the Group would continue to have sufficient cash resources in order to meet its liabilities as they fall due.

Carrying value of goodwill - the value of the goodwill 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.

Prior period restatement - The Audit Committee were notified of an error in the accounting for the gain on sale of treasury shares which exceeded the purchase price originally paid by the Company in 2019. The gain on sale of the shares should have been recognised within share premium and was incorrectly recognised within retained earnings. A restatement has been included that transfers this gain of £872,000 from retained earnings to share premium. This adjustment has not affected Group net assets or Profit after tax in the Consolidated Income Statement and no other material prior period misstatements have been identified.

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 2020. 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

During the year Grant Thornton UK LLP were appointed as auditor following the resignation of KPMG with effect from 7 May 2020. Grant Thornton UK LLP were re-appointed at the AGM on 16 June 2020.

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-Solymer 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.

During 2020 the Committee recommended the appointment of Peter Bertram as a new Non-Executive Director following the retirement of David Courtley from the Board. The Committee also sought candidates for the role of Chief Financial Officer following Rebecca Archer's decision to step down from the Board, and recommended the appointment of Sameet Vohra as Chief Financial Officer Designate in January 2021.

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 as adopted by the European Union (EU) (IFRSs as adopted by the EU) 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 EU;
- 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 8 March 2021 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 2020 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.


A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

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.

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.

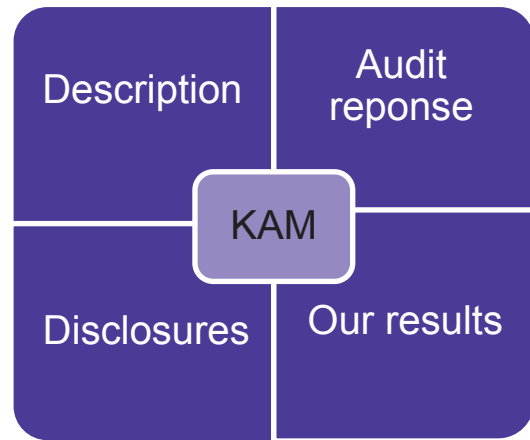
The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

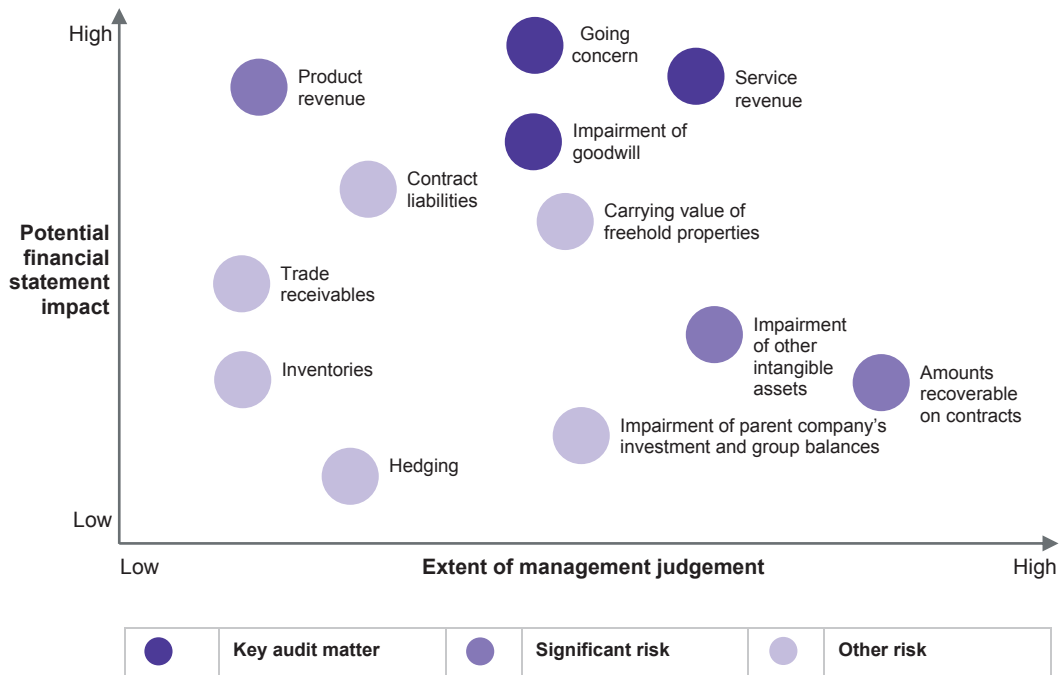
 <p>Grant Thornton</p> <p>The diagram shows a circle divided into three equal segments by white lines that meet at the center. The segments are labeled 'Materiality', 'Key audit matters', and 'Scoping'. Arrows on the outer edge of the circle indicate a clockwise flow from one segment to the next.</p>	<p>Overview of our audit approach</p> <p>Overall materiality:</p> <p>Group: £312,000, which represents approximately 5% of the Group's profit before tax.</p> <p>Parent company: £235,000, which was determined with reference to a benchmark of 1% of Company total assets, but is restricted to 75% of Group materiality.</p> <p>Key audit matters were identified as:</p> <ul style="list-style-type: none"> • Revenue recognition (service revenue); • Impairment review of goodwill; and • Going concern basis of accounting <p>This is our first year in which we are appointed as auditors of the Group. In the previous year the key audit matters identified by the predecessor auditor, were as follows:</p> <ul style="list-style-type: none"> • The impact of uncertainties due to the UK exiting the European Union (Brexit); • Step acquisition of Frontier Smart Technologies Limited; • Service revenue recognition; • Valuation of Group goodwill and intangible assets; and • Recoverability of parent company's investments in subsidiaries. <p>We performed:</p> <ul style="list-style-type: none"> • a full-scope audit for the parent company Science Group plc and 10 components; • specified audit procedures on the financial information were performed for Technology Sciences Group Inc; and • analytical procedures were performed for all other components of the Group.
---	--

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 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. Under International 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 £74m (2019: £57m) £48m (2019: £47m) arises from the provision of services.</p> <p>Services revenue from consultancy projects are based on time and material costs incurred on a project. Revenue on these contracts is recognised based on timesheet hours as adjusted to reflect the overall completion of the projects. A significant risk was identified concerning open contracts and specifically the assessment of amounts recoverable on contracts and the provision for additional time and costs to completion. Both of these are determined from judgements made by management.</p> <p>The Group's revenue is material to the financial statements and our audit work on services income 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"> • analytical review of revenue recorded during the year to identify large or exceptional contracts; • 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 key 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 time sheet data and cash receipts to ensure appropriateness of revenue recognition; • testing completeness of deferred revenue and existence of accrued revenue by agreeing the sales invoices to cash receipts, contracts with customers and testing that revenue was appropriately recognised during the year by tracing to corroborative evidence detailed in the procedure above; and • challenging management's assessment of the stage of completion for a sample of projects that were in progress at the year end including corroborating key elements and issues with the relevant project managers. This considered the provisions for additional time and material cost which were expected to be incurred to deliver and complete the services to client expectations.
<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 Matter – Group	How our scope addressed the matter – Group
<p>Impairment review of goodwill</p> <p>We identified the valuation of goodwill as one of the most significant assessed risks of material misstatement. This is due to the inherent uncertainty involved in forecasting future results and cashflows of the 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"> • obtaining management’s impairment assessment for each cash generating unit, which are based on discounted cash flow models; • evaluating the key assumptions including growth rates and discounts rates applied. This included consultation with our internal valuation specialists to corroborate key assumptions such as discount rate and growth rate to external sources for comparable companies; • critically reviewing management’s identification of cash generating units to ensure this was in accordance with International Accounting Standard ('IAS') 36 'Impairment of Assets'; • comparing management’s historical forecasts to actual performance to assess the accuracy of the forecasts; and • performing a sensitivity analysis on the key assumptions of discount rate and growth rate in the model and assessing how sensitive the values in use were to the changes in these variables.
<p>Relevant disclosures in the Annual Report and Accounts</p> <p>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</p> <p>Our audit work did not identify any material misstatements in the valuation of goodwill.</p>
<p>Going concern assumption</p> <p>We identified the going concern assumption as one of the most significant assessed risks of material misstatement due to fraud and error as a result of the judgement required to conclude whether there is material uncertainty related to going concern.</p> <p>In our evaluation of the directors’ assessment of going concern, we identified the inherent risks associated with the Group’s business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19.</p> <p>As the full economic effect on the Group and the overall economic environment are still uncertain, there is a significant level of judgement involved in anticipating results and cashflows. Due to the high level of judgement involved in these assessments there exists a significant risk that inappropriate assumptions might be utilised in the determination of the Group’s ability to continue as a going concern.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • discussing with management their assessment of going concern, identifying assumptions and evaluating supporting information, including budgets and cash flow forecasts; • critically evaluating the revenue and cost projections underlying the model with reference to market information and past performance of the Group; • using our internal specialist to perform an analysis on working capital computations, assessing the impact of changes in key assumptions, including a reasonable possible reduction in forecast revenue, to understand the sensitivity of the cash flow forecasts and the headroom on debt covenants to such changes; and • assessing the adequacy of directors’ disclosures in the financial statements with respect to whether all the relevant key assumptions supporting the going concern basis are included.
<p>Relevant disclosures in the Annual Report and Accounts</p> <p>The financial statements explain in Note 2.1 how the directors have formed a judgement that it is appropriate to adopt the going concern basis of accounting in preparing the Group financial statements.</p>	<p>Our results</p> <p>We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.</p>

INDEPENDENT AUDITOR'S REPORT

Our application of materiality

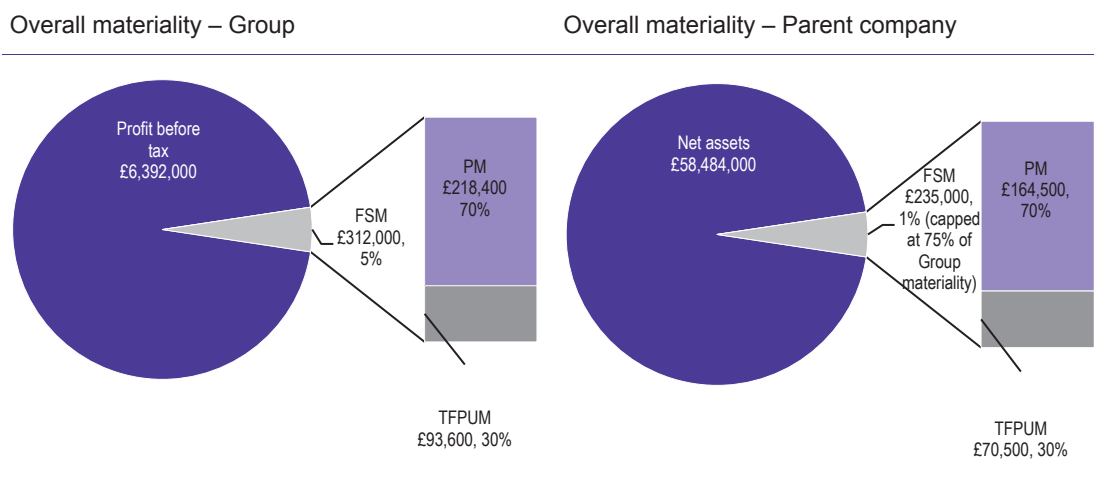
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

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	£312,000, representing 5% of profit before tax.	£235,000, which was determined with reference to a benchmark of 1% of Company total assets, but is restricted to 75% 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"> Profit before tax is considered the most appropriate benchmark because the Group is a commercially focused organisation and profit before taxation is a key financial measure for the shareholders. <p>Materiality for the current year is higher than the level that the predecessor auditor determined for the year ended 31 December 2019 due the increase in profit before tax during the year.</p>	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> 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 the predecessor auditor determined for the year ended 31 December 2019 to reflect the increase in net assets at the year end.</p>
Significant revision of materiality threshold that were made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual results and adjusted our audit procedures accordingly.	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual results and adjusted our audit procedures accordingly.
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	£218,400 which is 70% of financial statement materiality.	£164,500 which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	No significant judgements were made in determining performance materiality. We used 70% as a threshold as it is our first year as appointed auditors.	No significant judgements were made in determining performance materiality. We used 70% as a threshold as it is our first year as appointed auditors.

Materiality measure	Group	Parent company
Significant revision of performance materiality threshold that were made as the audit progressed	We calculated performance materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual results and adjusted our audit procedures accordingly.	We calculated performance materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual results and adjusted our audit procedures accordingly.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£15,600 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£11,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

- The engagement team obtained an understanding of the Group and its environment, including group-wide controls, and assessed the risks of material misstatement at the 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.
- We have tailored our audit response accordingly with all audit work undertaken by the group audit team except for the use of staff from Grant Thornton International member firms to observe physical stock counts at overseas locations. The group audit team was unable to visit the UK locations due to the Covid-19 pandemic and completed all audit work remotely.

An overview of the scope of our audit (continued)

Identifying significant components

- We considered the size and risk profile of each component, any changes in the 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 the 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, Sagentia Technology Advisory Limited, Technology Sciences Group Limited, Technology Sciences Group Consulting Limited, SG Bidco Limited and Frontier Smart Technologies Limited.
- Specified audit procedures on the financial information of the component (specified audit procedures) were performed for Technology Sciences Group Inc.
- Testing performed over 93% of total Group revenues, either through full scope or targeted audit procedures.
- Testing performed over 83% of total Group profit before tax, either through full scope or targeted audit procedures.
- Testing performed over 99% of total Group assets, either through full scope or targeted audit procedures.

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.

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 the ISAs (UK).

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 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 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;
- 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:
 1. identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud and the adequacy of procedures for authorisation of transactions and internal review procedures;
 2. challenging assumptions and judgements made by management in its significant accounting estimates;
 3. utilising a valuation specialist to review management's impairment calculation; and
 4. identifying and testing large and unusual journal entries.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations.
- 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.
- Group's management have not communicated to the audit team any matters of non-compliance with laws and regulations or fraud and no such matters were identified by the audit team.

INDEPENDENT AUDITOR'S REPORT

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.

Alison Seekings

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Cambridge

8 March 2021

Financial Statements

and Notes to the
Financial Statements

FINANCIAL STATEMENTS CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

		Group	
	Note	2020 £000	2019 £000
Revenue	5	73,663	57,247
Direct operating expenses		(43,861)	(33,893)
Sales and marketing expenditure		(8,112)	(8,693)
Administrative expenses		(14,561)	(14,844)
Adjusted operating profit	4	10,885	6,704
Acquisition integration costs		(10)	(3,571)
Loss on remeasurement of equity-accounted investee		-	(491)
Amortisation of acquisition related intangible assets	14	(2,507)	(2,345)
Share based payment charge	8	(1,239)	(1,167)
Release of provision on settlement of legal claim		-	687
Operating profit/(loss)		7,129	(183)
Finance income	7	9	22
Finance costs	7	(746)	(852)
Share of loss of equity-accounted investee, net of tax		-	(592)
Profit/(loss) before tax		6,392	(1,605)
Tax credit/(charge) (including R&D tax credit of £248,000) (2019: £406,000)	10	647	(226)
Profit/(loss) for the year		7,039	(1,831)
Earnings per share			
Earnings per share (basic)	12	16.9p	(4.5)p
Earnings per share (diluted)	12	16.7p	(4.4)p
Adjusted earnings per share (basic)	12	19.4p	11.6p
Adjusted earnings per share (diluted)	12	19.1p	11.3p

The presentation basis for costs has changed to be that of expense by function; refer to Note 6 for further explanation.

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 2020

	Group	
	2020	2019
	£000	£000
Profit/(loss) for the year attributable to:		
Equity holders of the parent	7,039	(1,669)
Non-controlling interests	-	(162)
Profit/(loss) for the year	7,039	(1,831)
Other comprehensive income		
Items that will or may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	(358)	(939)
Fair value loss on interest rate swap (note 23)	(519)	(408)
Deferred tax on interest rate swap (note 11)	96	77
Other comprehensive expense for the year	(781)	(1,270)
Total comprehensive income for the period attributable to:		
Equity holders of the parent	6,258	(2,939)
Non-controlling interests	-	(162)
Total comprehensive income/(expense) for the year	6,258	(3,101)

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 2020

Group	Attributable to owners of the Company								
	Issued capital	Share premium	Treasury shares	Merger reserve	Translation reserve	Retained earnings	Total - Shareholders' funds	Non-controlling interests	Total equity
	£000	£000 Restated	£000	£000	£000	£000 Restated	£000	£000	£000
Balance at 1 January 2019	421	8,230	(2,764)	10,343	260	24,468	40,958	-	40,958
Contributions and distributions									
Purchase of own shares	-	-	(203)	-	-	-	(203)	-	(203)
Issue of shares out of treasury	-	872	2,307	-	-	(763)	2,416	-	2,416
Dividends paid	-	-	-	-	-	(1,840)	(1,840)	-	(1,840)
Share based payment charge (Note 22)	-	-	-	-	-	1,167	1,167	-	1,167
Deferred tax on share based payment transactions	-	-	-	-	-	(25)	(25)	-	(25)
Total contributions and distributions	-	872	2,104	-	-	(1,461)	1,515	-	1,515
Changes in ownership interests									
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	2,763	2,763
Acquisition of NCI without change in control	-	-	-	-	-	(3,265)	(3,265)	(2,601)	(5,866)
Total changes in ownership interests	-	-	-	-	-	(3,265)	(3,265)	162	(3,103)
Total transactions with owners	-	872	2,104	-	-	(4,726)	(1,750)	162	(1,588)
Loss for the year						(1,669)	(1,669)	(162)	(1,831)
Other comprehensive income:									
Fair value loss on interest rate swap	-	-	-	-	-	(408)	(408)	-	(408)
Exchange differences on translating foreign operations	-	-	-	-	(939)	-	(939)	-	(939)
Deferred tax on interest rate swap	-	-	-	-	-	77	77	-	77
Total comprehensive income for the year	-	-	-	-	(939)	(2,000)	(2,939)	(162)	(3,101)
Balance at 31 December 2019	421	9,102	(660)	10,343	(679)	17,742	36,269	-	36,269

The brought forward share based payment reserve at 1 January 2019 of £3.5 million has been transferred to retained earnings in the current year and hence the share based payment reserve is not separately presented.

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 2020

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

The brought forward share based payment reserve at 1 January 2020 of £4.6 million has been transferred to retained earnings in the current year and hence the share based payment reserve is not separately presented.

FINANCIAL STATEMENTS COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2020

Company	Issued capital	Share premium	Treasury shares	Merger reserve	Retained earnings	Total Shareholders' funds
	£000	£000 Restated	£000	£000	£000 Restated	£000
Balance at 1 January 2019	421	8,230	(2,764)	10,343	30,647	46,877
Contributions and distributions						
Purchase of own shares	-	-	(203)	-	-	(203)
Issue of shares out of treasury	-	872	2,307	-	(763)	2,416
Dividends paid	-	-	-	-	(1,840)	(1,840)
Share based payment charge (Note 22)	-	-	-	-	1,167	1,167
Deferred tax on share based payment transactions	-	-	-	-	(2)	(2)
Transactions with owners	-	872	2,104	-	(1,438)	1,538
Profit and total comprehensive income for the year	-	-	-	-	6,587	6,587
Balance at 31 December 2019	421	9,102	(660)	10,343	35,796	55,002
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 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

The brought forward share based payment reserve with a balance at 1 January 2019 and 1 January 2020 of £3.5 million and £4.6 million respectively has been transferred to retained earnings in the current year and hence the share based payment reserve is not separately presented.

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 2020

	Note	Company		Group	
		2020 £000	2019 £000 Restated	2020 £000	2019 £000 Restated
Assets					
Non-current assets					
Acquisition related intangible assets	14	-	-	10,514	13,222
Goodwill	14	-	-	13,657	13,808
Property, plant and equipment	15	98	165	23,809	25,870
Investments	16	50,179	47,389	-	-
Deferred tax assets	11	34	25	1,322	47
		50,311	47,579	49,302	52,947
Current assets					
Inventories	17	-	-	1,263	2,060
Trade and other receivables	18	10,975	10,483	10,784	10,239
Current tax asset		-	-	1,627	482
Cash and cash equivalents - Client registration funds	19	-	-	2,015	1,517
Cash and cash equivalents - Group cash	19	11,423	2,744	27,059	13,912
		22,398	13,227	42,748	28,210
Total assets		72,709	60,806	92,050	81,157
Liabilities					
Current liabilities					
Trade and other payables	20	14,225	5,804	26,365	20,581
Current tax liabilities		-	-	394	226
Provisions	21	-	-	678	172
Borrowings	23	-	-	1,200	1,200
Lease liabilities	24	-	-	1,247	1,212
		14,225	5,804	29,884	23,391

FINANCIAL STATEMENTS CONSOLIDATED AND COMPANY BALANCE SHEET

As at 31 December 2020

	Note	Company		Group	
		2020 £000	2019 £000 Restated	2020 £000	2019 £000 Restated
Non-current liabilities					
Provisions	21	-	-	659	480
Borrowings	23	-	-	15,307	15,013
Lease liabilities	24	-	-	1,038	2,111
Derivative financial instruments	3	-	-	634	115
Deferred tax liabilities	11	-	-	3,138	3,778
		-	-	20,776	21,497
Total liabilities		14,225	5,804	50,660	44,888
Net assets		58,484	55,002	41,390	36,269
Shareholders' equity					
Share capital	22	421	421	421	421
Share premium		9,102	9,102	9,102	9,102
Treasury shares		(1,896)	(660)	(1,896)	(660)
Merger reserve		10,343	10,343	10,343	10,343
Translation reserve		-	-	(1,037)	(679)
Cash flow hedge reserve		-	-	(538)	-
Retained earnings		40,514	35,796	24,995	17,742
Total equity		58,484	55,002	41,390	36,269

The Company's profit for the year was £4,729,000 (2019: £6,587,000).

The financial statements were approved by the Board of Directors and signed on its behalf by:

Martyn Ratcliffe Chairman
Rebecca Archer Finance Director

On 8 March 2021

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 2020

	Note	Company		Group	
		2020 £000	2019 £000	2020 £000	2019 £000
Profit/(loss) before income tax		4,729	6,587	6,392	(1,605)
Adjustments for:					
Share of loss of equity-accounted investee, net of tax		-	-	-	592
Loss on remeasurement of equity-accounted investee		-	-	-	491
Amortisation of acquisition related intangible assets	14	-	-	2,507	2,345
Depreciation of property, plant and equipment	15	67	33	904	776
Impairment of right of use asset	15	-	-	513	796
Depreciation of right of use asset	15	-	-	1,067	1,033
Loss on disposal of property, plant and equipment		-	-	7	-
Net interest cost	7	1	52	737	830
Share based payment charge	8	54	43	1,239	1,167
Decrease in inventories		-	-	394	1,863
(Increase)/decrease in receivables		(492)	(4,439)	(546)	3,432
Increase/(decrease) in payables representing client registration funds		-	-	498	(30)
Increase/(decrease) in payables excluding balances representing client registration funds		8,419	2,099	5,976	(3,846)
Changes in provisions		-	-	735	(933)
Cash generated from operations		12,778	4,375	20,423	6,911
Interest paid		-	(52)	(753)	(781)
UK corporation tax paid		-	-	(1,799)	(554)
Foreign corporation tax paid		-	-	(184)	(196)
Cash flows from operating activities		12,778	4,323	17,687	5,380
Interest received		1	-	9	22
Purchase of property, plant and equipment		-	(198)	(143)	(555)
Purchase of subsidiary undertakings, net of cash received		(1,605)	(9,219)	-	(4,118)
Cash flows used in investing activities		(1,604)	(9,417)	(134)	(4,651)

FINANCIAL STATEMENTS CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	Company		Group	
		2020 £000	2019 £000	2020 £000	2019 £000
Issue of shares out of treasury		7	2,416	7	2,416
Repurchase of own shares		(1,672)	(203)	(1,672)	(203)
Dividends paid	13	(830)	(1,840)	(830)	(1,840)
Acquisition of NCI		-	-	-	(5,869)
Proceeds of bank loan received	23	-	-	1,500	4,750
Repayment of term loan	23	-	-	(1,200)	(1,200)
Repayment of revolving credit facility		-	-	-	(5,000)
Payment of lease liabilities	24	-	-	(1,339)	(998)
Cash flows (used in)/generated by financing activities		(2,495)	373	(3,534)	(7,944)
Increase/(decrease) in cash and cash equivalents in the year		8,679	(4,721)	14,019	(7,215)
Cash and cash equivalents at the beginning of the year		2,744	7,465	15,429	23,007
Exchange loss on cash		-	-	(374)	(363)
Cash and cash equivalents at the end of the year	19	11,423	2,744	29,074	15,429

Cash and cash equivalents is analysed as follows:

	Group	
	2020 £000	2019 £000
Cash and cash equivalents – Client registration funds (Note 19)	2,015	1,517
Cash and cash equivalents – Group cash	27,059	13,912
	29,074	15,429

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-led services and product development organisation, supported by a strong balance sheet including significant freehold property assets.

The Group and Company financial statements of Science Group plc were prepared under IFRS as adopted by the European Union 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 at 31 December 2020, was 280.0 pence per share (31 December 2019: 249.0 pence per share).

These Consolidated Financial Statements have been approved for issue by the Board of Directors on 8 March 2021.

Alternative performance measures

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

(a) Adjusted operating profit

The Group calculates this measure by making adjustments 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 20.4% (2019: 19.4%) which results in a comparable tax charge year on year.

(c) Net funds/(debt)

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	2020 £000	2019 £000
Cash and cash equivalents – Group cash	19	27,059	13,912
Borrowings	23	(16,507)	(16,213)
Net funds/(debt)		10,552	(2,301)

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 represents the Group's cash available for day to day operations and investments. As such, the Board considers these measures 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 European Union in conformity with the requirements of the Companies Act 2006.

Of the new standards and interpretations effective for the year ended 31 December 2020, 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 £4,729,000 (2019: £6,587,000).

Going concern – The Directors have considered the current cash balance of £27.1 million (excluding client registration funds) and assessed forecast future cash flows for the next 12 months. Despite the Covid-19 pandemic and a corresponding increase in uncertainty in the economic environment, 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 Chairman's Statement, the revenue and operating profit grew year on year and cash generated from operations was £17.8 million during the year ended 31 December 2020. The term loan has no operating covenants while the Group net debt is less than £10 million. On the basis of the forecast future cash flows, the Directors do not expect the Group net debt to exceed £10 million at any time during the forecast period. 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 2020 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 2020 year ends are set out below, together with any noted impact on the Group.

Number	Title	Impact in year
Amendments to IFRS 3	Definition of a business	No material impact
Amendments to IAS 1 and IAS 8	Definition of material	No material impact
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	No material impact

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-23
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-23
IAS 1 (amendments)	Classification of Liabilities as Current or Non-current	1-Jan-23

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.

Non-controlling interests – NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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 cost, 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.

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 Board of Directors. 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 businesses 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.

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 technology, customer contracts and relationships is between 6 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.

2. Summary of significant accounting policies (continued)

2.8 Research and development expenditure (continued)

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.

2.15 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

2. Summary of significant accounting policies (continued)

2.15 Borrowings (continued)

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. 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.

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. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

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.

2. Summary of significant accounting policies (continued)

2.16 Financial instruments (continued)

(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.

(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

2. Summary of significant accounting policies (continued)

2.18 Revenue recognition (continued)

(a) Services revenue (continued)

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. 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.

(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 selling price.

Revenue is recorded net of sales tax and relevant sales incentives when the performance conditions are met. Any sales incentives are recognised as the corresponding sale occurs as a charge against revenue to reflect the overall transaction price of the revenue recorded.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities 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.

(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);

2. Summary of significant accounting policies (continued)

2.19 Foreign currency (continued)

(c) Group companies (continued)

- (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 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 5% 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.

Sagentia Inc. and TSG Inc. provide 401(k) pension benefits to employees. TSG Canada provides RRSP 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.

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. Summary of significant accounting policies (continued)

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 'loans and borrowings' in the statement of financial position.

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:

2020 £000	USD	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

2019 £000	USD* Restated	Euro	Other	Total* Restated
Financial assets	11,378	1,176	674	13,228
Financial liabilities	(4,629)	(165)	(41)	(4,835)
Exposure	6,749	1,011	633	8,393

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

*The 2019 USD financial assets balance has been restated due to the incorrect inclusion of inventory (value: £2,137,000). The 2019 financial assets balance has been restated from £13,515,000 to £11,378,000.

The following table illustrates the sensitivity of the net movement on reserves 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 2020 (2019: +/-10.0%). A 10% change is considered for the GBP/Euro exchange rate (2019: +/-10.0%).

If the GBP had strengthened against the US Dollar and Euro by 10% (2019: 10.0%) respectively then this would have had the following impact:

2020 £000	USD	Euro	Other	Total
Income statement	(144)	(99)	-	(243)
Equity	(498)	(72)	(39)	(609)

2019 £000	USD	Euro	Other	Total
Income statement	(331)	(94)	-	(425)
Equity	(570)	(47)	(32)	(649)

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Foreign currency sensitivity (continued)

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 3% (2019: +4%) and -5.4% (2019: +6.1%) respectively. Exposures to foreign exchange rates vary during the year depending on the volume and value of overseas transactions.

(b) Interest rate sensitivity

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	2020 £000	2019 £000
Sterling – bank loan	16,600	16,300
Weighted average interest rate		
Sterling – fixed rate bank loan	3.53%	3.64%
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: £1.8 million matures in September 2022, £3.0 million in September 2025 and the balance of £11.9 million in September 2026.

In May 2020, the Group increased the bank loan by £1.5 million to £17.5 million with an associated interest rate swap at 3.0%.

(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:

	Company		Group	
	2020 £000	2019 £000	2020 £000	2019 £000
Cash and cash equivalents – Group cash	11,423	2,744	27,059	13,912
Cash and cash equivalents – Client registration funds	-	-	2,015	1,517
Trade and other receivables (excludes VAT and prepayments)	10,642	10,107	9,249	8,950
	22,065	12,851	38,323	24,379

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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Credit risk analysis (continued)

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

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 2020, Science Group's financial liabilities have contractual cashflows and maturities as below:

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

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

2019	Current		Non-current	
	< 6 months £000	6 to 12 months £000	1 to 5 years £000	> 5 years £000
Bank borrowings	600	600	4,800	10,300
Interest on bank borrowings	292	284	1,871	602
Trade payables	2,548	-	-	-
Accruals	6,688	-	-	-
	10,128	884	6,671	10,902

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(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:

	Company		Group	
	2020 £000	2019 £000	2020 £000	2019 £000
Financial assets:				
- Trade receivables	-	-	8,084	7,265
- Other receivables	10,642	10,107	1,165	1,685
- Cash and cash equivalents - Client registration funds	-	-	2,015	1,517
- Cash and cash equivalents - Group cash	11,423	2,744	27,059	13,912
	22,065	12,851	38,323	24,379
Financial liabilities at amortised cost:				
- Non-current borrowings	-	-	15,307	15,013
- Current borrowings	-	-	1,200	1,200
- Trade payables	76	24	2,728	2,548
- Accruals	484	262	8,447	6,688
	560	286	27,682	25,449
Derivatives used for hedging held at fair value:				
- Financial instruments (liability)/asset	-	-	(634)	(115)

The fair value of Science Group's financial assets and liabilities is the same as the carrying value.

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)

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, and it has been measured under level 2.

The Group's finance team performs valuations of financial items for financial reporting purposes in consultation with third party valuation specialists for complex valuations. The valuation technique used for instruments categorised in levels 2 and 3 is described below:

Interest rate swap: the fair value is estimated by discounting the future contracted cash flows, using readily available market data.

3. Financial risk management (continued)

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.

	Group	
	2020 £000	2019 £000
Total shareholders' funds	41,390	36,269
Net funds/(debt) (Note 1)	10,552	(2,301)
Freehold property at Harston Mill	12,995	13,125
Freehold property at Great Burgh	8,174	8,259

Shareholders' funds

In 2020 Sagentia Limited paid a dividend distribution of £3.0 million, OTM Limited 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 2019 Sagentia Limited paid a dividend distribution of £7.0 million, OTM Limited paid a dividend distribution of £0.4 million and Oakland Innovation Limited paid a dividend distribution of £1.5 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 4.0 pence per share at the forthcoming AGM (2019: the final dividend in respect of 2019 was withdrawn due to the Covid-19 pandemic and an interim dividend of 2.0 pence per share was paid in October 2020). Ordinarily, the Board anticipates recommending a single dividend being paid each year.

Net funds

The net funds of the Group have increased by £12.9 million in 2020 (2019: decreased by £11.1 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 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, R&D Consultancy which is managed via the service lines of Product Development and Technology Advisory and secondly, 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 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	2020	2019
	£000	£000
Services revenue	48,198	46,885
Other	4,077	1,825
Revenue	52,275	48,710
Adjusted operating profit	9,068	8,221
Amortisation of acquisition related intangible assets	(1,513)	(2,006)
Share based payment charge	(946)	(1,008)
Gain on settlement of legal claim	-	687
Operating profit	6,609	5,894
Product Operating Business	2020	2019
	£000	£000
Product revenue	20,540	7,540
Revenue	20,540	7,540
Adjusted operating profit/(loss)	3,245	(1,283)
Acquisition integration costs	(10)	(3,571)
Loss on remeasurement of equity-accounted investee	-	(491)
Amortisation of acquisition related intangible assets	(994)	(339)
Share based payment charge	(185)	(12)
Operating profit/(loss)	2,056	(5,696)

4. Segment information (continued)

Freehold Properties	2020	2019		
	£000	£000		
Inter-company property income	3,189	2,874		
Third party property income	848	997		
Revenue	4,037	3,871		
Adjusted operating profit	954	1,503		
Share based payment charge	(21)	(14)		
Operating profit	933	1,489		
Corporate	2020	2019		
	£000	£000		
Adjusted operating loss	(2,382)	(1,737)		
Share based payment charge	(87)	(133)		
Operating loss	(2,469)	(1,870)		
Group	2020	2019	2019	2019
	Total	Organic	Acquired	Total
	£000	£000	£000	£000
Services revenue	48,198	46,885	-	46,885
Products revenue	20,540	-	7,540	7,540
Third party property income	848	997	-	997
Other	4,077	1,825	-	1,825
Revenue	73,663	49,707	7,540	57,247
Adjusted operating profit/(loss)	10,885	7,987	(1,283)	6,704
Acquisition integration costs	(10)	-	(3,571)	(3,571)
Loss on remeasurement of equity-accounted investee	-	-	(491)	(491)
Amortisation of acquisition related intangible assets	(2,507)	(2,006)	(339)	(2,345)
Share based payment charge	(1,239)	(1,155)	(12)	(1,167)
Gain on settlement of legal claim	-	687	-	687
Operating profit/(loss)	7,129	5,513	(5,696)	(183)
Finance charges (net)	(737)	(665)	(165)	(830)
Share of loss of equity-accounted investment, net of tax	-	-	(592)	(592)
Profit/(loss) before income tax	6,392	4,848	(6,453)	(1,605)
Income tax (charge)/credit	647	(505)	279	(226)
Profit/(loss) for the period	7,039	4,343	(6,174)	(1,831)

In the Freehold Properties segment, income includes £3.2 million (2019: £2.9 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 disclosed in the Chairman's statement of R&D Consultancy and Regulatory & Compliance are aggregated into one operating segment because they have the same economic characteristics.

During 2020, no single customer accounted for more than 10% of the Group's revenue (2019: nil).

4. Segment information (continued)

Geographical analysis

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

	2020 £000	2019 £000
United Kingdom	47,812	52,459
Other European Countries	14	54
North America	24	56
Asia	130	331
	47,980	52,900

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

Operating profit for the Services Operating Business included a depreciation charge of £1.1 million (2019: £1.1 million), the Product Operating Business included a depreciation charge of £0.3 million (2019: £0.2 million) and the Freehold Properties included a depreciation charge of £0.6 million (2019: £0.5 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	2020 £000	2019 £000
United Kingdom	14,843	12,263
Other European Countries	12,743	12,345
North America	24,003	23,642
Asia	21,553	8,322
Other	521	675
	73,663	57,247

Currency	2020 £000	2019 £000
US Dollar	41,787	28,684
Euro	3,569	3,578
Sterling	28,274	24,822
Other	33	163
	73,663	57,247

Included in the United Kingdom and Sterling disclosure above is rental income of £848,000 (2019: £997,000) that is accounted for under IFRS 16 *Leases*.

Timeframe	2020 £000	2019 £000
Revenue recognised at a point in time	21,125	8,293
Revenue recognised over a period of time	52,538	48,954
	73,663	57,247

5. Revenue (continued)

5.3 Contract balances

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

	2020 £000	2019 £000 Restated
Receivables that are included in 'Trade and other receivables'	8,084	7,265
Contract assets that are included in 'Trade and other receivables'	1,037	1,541
Contract liabilities which are included in 'Trade and other payables'	(11,814)	(8,824)

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. The remainder represents revenue to be recognised over time as the work is performed. The balance of £2,015,000 (2019: £1,517,000) 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.

Restatement: The prior year contract liabilities has been restated to remove the pass through fees from the disclosure.

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

Year ended 31 December 2020	Contract Assets £000	Contract Liabilities £000
Revenue recognised that was included in the contract liability at the beginning of the period	-	8,824
Increase due to invoices raised to clients, excluding amounts recognised as revenue in the period	-	(11,814)
Transfers from contract assets recognised at the beginning of the period to receivables	(1,541)	-
Increases as a result of changes in the measure of progress	1,037	-
	(504)	(2,990)

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/(crediting):

Year ended 31 December	Note	2020 £000	2019 £000
Cost of inventories		11,372	3,931
Depreciation of property, plant and equipment	15	904	776
Depreciation of right-of-use asset	15,24	1,067	1,033
Impairment of right-of-use asset	15,24	513	796
Foreign currency losses		40	488
Amortisation of intangible assets		2,507	2,345
Research and development*		10,869	8,729

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

In the prior year, the expenses were analysed by nature. The presentation basis has changed to be by function and is now disclosed on the face of the Consolidated Income Statement, in accordance with IAS 1. Following the acquisition of Frontier, with a substantial change in the cost base of the Group, the disclosures have been changed in order for the users of the financial statements to understand the efficiency of the cost base of the Group and any improvements year on year. The comparative has been restated to reflect the same analysis.

FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. Operating expenses (continued)

	2020 £000	2019 £000
Auditors' remuneration		
Auditors' remuneration to Grant Thornton UK LLP **:		
Fees payable to the Company's auditors for the audit of the financial statements	35	-
Audit fees – underlying	160	76
Audit fees – one off relating to the acquisition of Frontier, disclosed within integration costs	-	28
Auditors' remuneration to KPMG LLP:		
Fees payable to the Company's auditors for the audit of the financial statements	-	15
Audit of the financial statements of the Group and Company subsidiaries pursuant to legislation split between:		
Audit fees – underlying	-	161
Audit fees – one off relating to the acquisition of Frontier, disclosed within integration costs	-	64
Remuneration to Grant Thornton UK LLP for other non-audit services:		
Accountancy and taxation services for a foreign subsidiary	24	-
Compliance and other services for a foreign subsidiary	19	-
Audit related assurance services	15	-
Tax compliance services	34	-
Other taxation advisory services	15	-

**With effect from 7 May 2020, the Company auditors changed from KPMG LLP to Grant Thornton UK LLP

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	2020 £000	2019 £000
Finance income		
Bank interest receivable and similar income	9	22
	9	22
Finance costs		
Bank borrowings	(586)	(605)
Fees on settlement of revolving credit facility	-	(68)
Impairment of loan arrangement fees on settlement of revolving credit facility	-	(31)
Amortisation of loan arrangement fees	(15)	(13)
Lease liabilities	(145)	(135)
	(746)	(852)

8. Employee benefit expenses

Employment costs are shown below:

Year ended 31 December	Group	
	2020 £000	2019 £000
Wages and salaries (including bonuses and healthcare costs)	27,924	25,379
Social security costs	3,949	3,706
Redundancy costs	92	566
Pension costs	1,456	1,457
Share based payments (Note 22)	1,239	1,167
	34,660	32,275

The Group received £85,000 under the UK Government furlough scheme during the year and repaid this amount in full prior to the year end.

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	
	2020 Number	2019 Number Restated
Technical employees including Technologists, Engineers and Regulatory consultants	319	316
Other employees	97	93
	416	409

Restatement: The categories have been changed to align the reported headcount to the technical expertise of the Group employees.

9. Directors' remuneration, interests and transactions

Directors' emoluments and benefits include:

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

Year ended 31 December 2019	Salary/ fee	Bonus	Pension contribution	Discretionary payment	Gain on share options exercised	Total
Name of Director	£000	£000	£000	£000	£000	£000
Courtley	40	-	-	-	-	40
Archer	148	42	12	-	83	285
Lacey-Solymar	40	-	-	-	-	40
Ratcliffe	385	-	-	-	-	385
Edwards	141	56	10	-	-	207
Aggregate emoluments	754	98	22	-	83	957

The 2019 table above now includes the additional disclosure of gains made on share options exercised.

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

Mr Courtley resigned as Director on 31 May 2020 and his emoluments are included in the table above up until this date.

Mr Bertram was appointed as Director on 17 June 2020 and his emoluments are included in the table above from this date.

A share based payment charge of £208,000 was recognised in the income statement relating to share options held by Directors (2019: £101,000). The share based payment charge for 2019 includes a charge relating to Mr Edwards from his date of appointment, being 28 April 2019.

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 in recognition of the demonstrable success of the acquisition of Frontier. 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 £162,000 (2019: £112,000).

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

Directors' interests in the shares of Science Group at 31 December 2020 and 31 December 2019, and any changes subsequent to 31 December 2020 are as follows:

The 5,000 shares held by Mr Bertram were acquired subsequent to the date he was appointed Director.

Science Group plc Ordinary shares of £0.01	Options				Shares	
	2020		2019		2020	2019
	Average exercise price (pence)	Number	Number	Number	Number	
Year ended 31 December						
Archer	1.0	145,000	150,000	50,000	65,000	
Ratcliffe	-	-	-	11,412,080	13,412,906	
Edwards	1.0	415,000	450,000	109,000	74,000	
Courtley	-	-	-	-	375,000	
Bertram	-	-	-	5,000	-	
		560,000	600,000	11,576,080	13,926,906	

See Note 22 for further details on option plans.

10. Income tax

The tax credit/(charge) comprises:

Year ended 31 December	Note	2020 £000	2019 £000
Current taxation		(1,492)	(1,280)
Current taxation – adjustment in respect of prior years		240	311
Deferred taxation	11	1,806	579
Deferred taxation – adjustment in respect of prior years		(155)	(242)
R&D tax credit		248	406
		647	(226)

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

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 20.4% (2019: 19.4%) as follows:

	2020 £000	2019 £000
Profit/(loss) before tax	6,392	(1,605)
Tax calculated at domestic tax rates applicable to profits/(losses) in the respective countries	(1,306)	311
Expenses not deductible for tax purposes	(193)	(1,022)
Adjustment in respect of prior years – current tax	240	311
Adjustment in respect of prior years – deferred tax	(155)	(242)
Movement in deferred tax due to change in tax rate	-	27
Share scheme movements	72	100
Current year losses for which no deferred tax asset was recognised	73	(180)
Recognition of tax losses as deferred tax asset	1,001	-
Prior year losses used in the current year which were not previously recognised	667	63
R&D tax credit	248	406
Tax credit/(charge)	647	(226)

10. Income tax (continued)

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 £0.2 million (2019: £0.4 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:

	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 2019	(1,872)	16	401	(1,545)	382	(2,618)
Charged to the income statement	33	47	130	469	(100)	579
Deferred taxation relating to acquisitions	-	-	-	(1,498)	(130)	(1,628)
Charge to the income statement (prior year adjustment)	(54)	(16)	-	-	(172)	(242)
Charged to Equity	-	-	(25)	-	77	52
Effect of movements in exchange rates	-	-	-	121	5	126
At 31 December 2019	(1,893)	47	506	(2,453)	62	(3,731)
Charged to the income statement	125	954	184	442	101	1,806
Charge to the income statement (prior year adjustment)	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)

	Group	
	2020 £000	2019 £000
Deferred tax assets	1,322	47
Deferred tax liabilities	(3,138)	(3,778)
Net deferred tax liability	(1,816)	(3,731)

At 31 December 2020, Science Group had £31.7 million (2019: £34.7 million) of tax losses of which £21.4 million (2019: £24.0 million) relate to trading losses in Frontier. Of these Frontier losses, £3.2 million (2019: £nil) were utilised in 2020 and a further £5.3 million (2019: £nil) of losses were recognised as a deferred tax asset which are anticipated to be used to offset future trading profits. The carried forward Frontier losses of £16.1 million (2019: £24.0 million) have not been recognised as a deferred tax asset due to the uncertainty in the timing of utilisation of these losses. The other tax losses of £10.3 million (2019: £10.5 million) have not been recognised as a deferred tax asset due to the low probability that these losses will be able to be utilised.

11. Deferred tax (continued)

Company	Share based payment £000	Total £000
At 1 January 2019	27	27
Charged to equity	(2)	(2)
At 31 December 2019	25	25
Credited to equity	9	9
At 31 December 2020	34	34

The Company has available tax losses of approximately £2.3 million (2019: £2.3 million) and these losses do not expire.

Factors affecting future tax charges

The UK corporate tax rate of 19% was expected to reduce to 17% (effective 1 April 2020) which was substantively enacted on 6 September 2016. However, on 17 March 2020 the UK rate of 19% was substantively enacted and the 17% previously enacted reduction did not come into force. The UK corporation tax rate remains at 19%. The US federal rate had a reduction from 35% to 21%, effective from 1 January 2018. Deferred tax assets/(liabilities) were calculated at the substantively enacted corporation tax rates in the respective jurisdictions.

12. Earnings per share

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

	2020			2019		
	Profit after tax £000	Weighted average number of shares	Pence per share	Loss after tax £000	Weighted average number of shares	Pence per share
Basic earnings per ordinary share	7,039	41,631,118	16.9	(1,831)	40,767,070	(4.5)
Effect of dilutive potential ordinary shares: share options	-	598,648	(0.2)	-	1,257,907	0.1
Diluted earnings per ordinary share	7,039	42,229,766	16.7	(1,831)	42,024,977	(4.4)

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

The calculation of adjusted earnings per share is as follows:

	2020			2019		
	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	8,078	41,631,118	19.4	4,735	40,767,070	11.6
Effect of dilutive potential ordinary shares: share options	-	598,648	(0.3)	-	1,257,907	(0.3)
Adjusted diluted earnings per ordinary share	8,078	42,229,766	19.1	4,735	42,024,977	11.3

*Calculation of adjusted profit after tax:

12. Earnings per share (continued)

Group	2020 £000	2019 £000
Adjusted operating profit	10,885	6,704
Finance income	9	22
Finance costs	(746)	(852)
Adjusted profit before tax	10,148	5,874
Tax charge at the blended corporation tax rate across the various jurisdictions 20.4% (2019: 19.4%)	(2,070)	(1,139)
Adjusted profit after tax	8,078	4,735

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 Board announced in May 2020 that the final dividend in respect of 2019 would be withdrawn due to the Covid-19 pandemic. In October 2020, an interim dividend of 2.0 pence per share was paid at a cost of £0.8 million.

The Board has proposed a final dividend for 2020 of 4.0 pence per share. The dividend is subject to approval by shareholders at the next Annual General Meeting and the expected cost of £1.6 million has not been included as a liability as at 31 December 2020.

14. Intangible assets

Group	Technology £000	Customer relationships £000	Goodwill £000	Total £000
Cost				
At 1 January 2019	-	12,620	13,464	26,084
Acquisitions through business combination	7,630	1,184	2,845	11,659
Effect of movement in exchange rates	(635)	(137)	(276)	(1,048)
At 31 December 2019	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
Accumulated amortisation				
At 1 January 2019	-	5,118	-	5,118
Amortisation charged in year	307	2,038	-	2,345
Effect of movement in exchange rates	(15)	(15)	-	(30)
At 31 December 2019	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
Accumulated impairment				
At 1 January, 31 December 2019 and 31 December 2020	-	7	2,225	2,232
Carrying amount				
At 31 December 2019	6,703	6,519	13,808	27,030
At 31 December 2020	5,660	4,854	13,657	24,171

14. Intangible assets (continued)

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

Group	2020		2019	
	Pre-tax discount rate	£000	Pre-tax discount rate	£000
R&D Consultancy	10.1%	3,383	-	-
Advisory	-	-	11.2%	3,383
Leatherhead Research	10.1%	650	11.2%	650
TSG - Americas	10.1%	2,546	11.0%	2,621
TSG - Europe	10.1%	4,546	11.0%	4,546
Frontier Smart Technologies Group	12.2%	2,532	13.6%	2,608
		13,657		13,808

Cash generating units

During 2020, the Advisory and Product Development businesses were operationally brought together into the R&D Consultancy division. The financial results are now reported on this combined basis and as a result, these CGUs were merged. The goodwill has been aligned to reflect this change.

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 CGUs 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	2020	2019
Rate of growth in revenue (average of next 5 years)	4.5%	5.2%
Rate of increase in operating costs (average of next 5 years)	4.5%	5.2%
Terminal value growth rate	2.25%	2.25%

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.

14. Intangible assets (continued)

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	2020	2019
Rate of growth in revenue (average of next 5 years)	3.8%	3.7%
Increase in costs (due to inflation) (average of next 5 years)	3.1%	4.1%
Terminal value growth rate	2.25%	2.25%

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.

Impairment testing for the TSG Americas CGU

A review of the forecast future cash flows of TSG Americas, 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 Americas CGU	2020	2019
Rate of growth in revenue (average of next 5 years)	7.5%	5.5%
Rate of increase in operating costs (average of next 5 years)	7.5%	4.9%
Terminal value growth rate	2.25%	2.25%

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 Americas 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.

14. Intangible assets (continued)

Impairment testing for the TSG Europe CGU (continued)

TSG Europe CGU	2020	2019
Rate of growth in revenue (average of next 5 years)	6.5%	5.5%
Rate of increase in operating costs (average of next 5 years)	5.3%	5.2%
Terminal value growth rate	2.25%	2.25%

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	2020	2019
Rate of growth in revenue (average of next 5 years)	2.0%	3.2%
Rate of increase in operating costs (average of next 5 years)	1.9%	2.9%
Terminal value growth rate	2.0%	2.25%

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.

15. Property, plant and equipment

Group	Freehold land and buildings	Land & buildings right-of-use	Furniture and fittings	Equipment	Total
Cost	£000	£000	£000	£000	£000
At 1 January 2019	25,200	-	3,240	1,695	30,135
Recognition of right-of-use asset on initial application of IFRS 16	-	2,771	-	-	2,771
Adjusted balance at 1 January 2019	25,200	2,771	3,240	1,695	32,906
Exchange differences on cost	-	(199)	(17)	(13)	(229)
Acquired in business combination	-	1,337	125	134	1,596
Additions	-	368	350	205	923
At 1 January 2020	25,200	4,277	3,698	2,021	35,196
Exchange differences on cost	-	(126)	15	89	(22)
Additions	-	298	77	66	441
Disposals	-	(225)	(39)	-	(264)
At 31 December 2020	25,200	4,224	3,751	2,176	35,351
Accumulated depreciation					
At 1 January 2019	3,648	-	1,913	1,221	6,782
Depreciation charge	168	1,033	362	246	1,809
Impairment loss	-	796	-	-	796
Exchange differences on depreciation	-	(46)	(6)	(9)	(61)
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 31 December 2020	4,031	2,999	2,673	1,839	11,542
Carrying amount					
At 31 December 2019	21,384	2,494	1,429	563	25,870
At 31 December 2020	21,169	1,225	1,078	337	23,809

Freehold land and buildings includes 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 (2019: £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 £8.1 million during March 2018 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 (2019: £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 2018 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 £16.7 million based on occupational tenancies where the head lease is merged into the freehold interest, and £22.5 million under a sale and leaseback scenario.

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.

15. Property, plant and equipment (continued)

The Harston property generated third party rental and associated income of £848,000 (2019: £997,000). Of this income, £532,000 (2019: £595,000) was rental income and £310,000 (2019: £402,000) 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 2020 was 21,600 sq. ft. (2019: 29,100 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 48,300 sq. ft. (2019: 45,700 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 6,800 sq. ft. (2019: 2,200 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 £21,175,000 (2019: £21,384,000) 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 2020 of £21.2 million (2019: 21.4 million).

An impairment loss of £513,000 has been recognised in relation to the Group ceasing to use an office in the US and a reduction in physical office space in the TSGA Washington DC office (2019: £796,000 in relation to the closure of the Frontier London and Cambridge (Sawston) offices and the reduction in physical office space in the Frontier Hong Kong office).

Science Group plc had fixed assets with a net book value of £98,000 at 31 December 2020 (£165,000 at 31 December 2019).

16. Investments

a) Investments in subsidiaries

Science Group held investments in the following subsidiaries at 31 December 2020.

Subsidiaries of Science Group plc	Registered office	Country of incorporation	Principal activity	Shares held	%
Consulting operations					
Sagentia Limited*	(1)	England	Consultancy	Ordinary	100
Sagentia Technology Advisory 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 Canada (TSG) Inc.	(7)	Canada	Consultancy	Ordinary	100
TSGE Iberia SL	(5)	Spain	Consultancy	Ordinary	100
TSGE d.o.o	(8)	Slovenia	Consultancy	Ordinary	100
TSGE Deutschland GmbH	(6)	Germany	Consultancy	Ordinary	100
Technology Sciences Group Inc.*	(2)	USA	Consultancy	Ordinary	100
Technology Science Group France *	(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 (UK)	(1)	England	Production	Ordinary	100
Frontier Silicon (HK) Ltd (Hong Kong)	(9)	Hong Kong	Production	Ordinary	100

* Direct subsidiaries of Science Group plc as at 31 December 2020

** On 1 December 2020, Science Group plc acquired 39% of Technology Sciences Group Ltd from Technology Sciences Group Inc. increasing its shareholding ownership from 61% to 100%.

16. Investments (continued)

a) Investments in subsidiaries (continued)

- (1) Harston Mill, Royston Road, Harston, Cambridge, England, CB22 7GG
- (2) One Commerce Center – 1201 Orange St. #600, Wilmington, DE 19899
- (3) 815 Brazos St. STE 500 Austin, Texas, 78701
- (4) 1-2 place des saisons, La Défense Tour First, 92400 Courbevoie, Paris
- (5) Avenida De Galicia, 22-1, Isquierda, Dr Oviedo, 33005, Spain
- (6) Lavesstraße 4, 31137 Hildesheim, Germany
- (7) 50 O'Connor, Suite 300, Ottawa ON, K1P 6L2, Canada
- (8) Ljubljanska cesta 110, 1230 Domžale, Slovenia
- (9) Unit 2218, Grand Central Plaza Tower 2, 138 Sha Tin Rural Committee Road, Sha Tin, New Territories, Hong Kong

All subsidiaries for which accounts are provided have year ends of 31 December.

Manage5Nines Limited, TSGE Forum Limited and Frontier Silicon Limited, companies owned 100% by Science Group plc in 2019, were each dissolved on 22 September 2020.

Frontier Silicon Srl (Romania), a company owned 100% by Science Group plc in 2019, was dissolved on 21 May 2020.

b) Company investments

	Total £000
Cost	
At 1 January 2019	39,231
Acquisitions through business combinations	9,219
Capital contributions to subsidiaries*	1,124
At 31 December 2019	49,574
Acquisition of further shares in Group subsidiary*	1,605
Capital contributions to subsidiaries**	1,185
At 31 December 2020	52,364
Impairment	
At 1 January 2019 and 1 January 2020	2,185
Impairment loss	-
At 31 December 2020	2,185
Carrying amount	
At 31 December 2019	47,389
At 31 December 2020	50,179

*On 1 December 2020, Science Group plc acquired 39% of Technology Sciences Group Limited from Technology Sciences Group Inc. increasing its shareholding ownership from 61% to 100%.

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

17. Inventories

	Group	
	2020 £000	2019 £000
Raw materials	397	340
Work in progress	380	490
Finished goods	486	1,230
	1,263	2,060

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

The Company had £nil inventories at 31 December 2020 (2019: £nil).

18. Trade and other receivables

	Company		Group	
	2020 £000	2019 £000	2020 £000	2019 £000
Current assets:				
Trade receivables	-	-	8,186	7,365
Provision for impairment	-	-	(102)	(100)
Trade receivables - net	-	-	8,084	7,265
Amounts recoverable on contracts	-	-	1,037	1,541
Other receivables	-	-	128	144
Amounts owed by Group undertakings	10,642	10,107	-	-
VAT	30	316	36	51
Prepayments	303	60	1,499	1,238
	10,975	10,483	10,784	10,239

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

The following table provides information about the exposure to credit risk and ECLs for trade receivables and amounts recoverable on contracts at 31 December 2020. Probability of default rates are based on historical experience and informed credit assessment. The loss rates in the current, 1-30 and 31-60 categories are minimal.

Group	Probability of default	Gross Carrying Amount £000	Provision for Impairment £000	Credit-Impaired
Current (not past due)	-	7,553	3	No
1-30 days past due	-	1,267	1	No
31-60 days past due	-	221	19	No
61-90 days past due	50%	53	6	No
More than 90 days past due	100%	129	73	Yes
		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 expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2020 and 31 December 2019 respectively as well as the corresponding historical credit losses during that period. The historical rates 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 expected to be immaterial.

	Group	
	2020 £000	2019 £000
Provision brought forward	100	144
Debts written off	-	-
Provision released	(28)	(75)
Provision made	32	32
Movement due to foreign exchange fluctuations	(2)	(1)
Provision carried forward	102	100

19. Cash and cash equivalents

	Company		Group	
	2020 £000	2019 £000	2020 £000	2019 £000
Short term bank deposits – Group cash	37	37	37	39
Cash at bank and in hand – Group cash	11,386	2,707	27,022	13,873
Cash and cash equivalents – Group cash	11,423	2,744	27,059	13,912
Cash and cash equivalents – Client registration funds	-	-	2,015	1,517
	11,423	2,744	29,074	15,429

The Group receives cash from clients 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	
	2020 £000	2019 £000	2020 £000	2019 £000
Current liabilities				
Contract liabilities	-	-	13,829	10,341
Trade payables	76	24	2,728	2,548
Other taxation and social security	-	30	1,210	884
Amounts owed to Group undertakings	13,665	5,488	-	-
VAT	-	-	151	120
Accruals	484	262	8,447	6,688
	14,225	5,804	26,365	20,581

21. Provisions

Group	Onerous lease £000	Dilapidations £000	Restructuring £000	Legal £000	Other £000	Total £000
At 1 January 2019	225	262	142	705	-	1,334
Assumed in business combination	-	300	-	-	-	300
Provisions made during the year	-	31	-	-	-	31
Provisions used during the year	(126)	-	(52)	(5)	-	(183)
Provisions reversed during the year	(94)	-	-	(687)	-	(781)
Gain on foreign exchange fluctuations	(5)	(31)	-	(13)	-	(49)
At 31 December 2019	-	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
Current liabilities	-	119	80	479	-	678
Non-current liabilities	-	645	-	-	14	659
At 31 December 2019	-	562	90	-	-	652
Current liabilities	-	82	90	-	-	172
Non-current liabilities	-	480	-	-	-	480

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 2020 is 2 years (2019: 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 relates to warranty provisions made in respect of certain product sales.

22. Called-up share capital

	2020 £000	2019 £000
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	421	421
	Number	Number
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	42,062,035	42,062,035

The allotted, called-up and fully paid share capital of the Company as at 31 December 2020 was 42,062,035 shares (2019: 42,062,035) and the total number of ordinary shares in issue (excluding treasury shares) was 41,238,392 (2019: 41,700,440). Of the ordinary shares in issue, 104,400 (2019: 104,400) shares are held by the Frontier Smart Technologies Employee Benefit Trust ("EBT") and hence the voting rights in the Company are 41,133,992.

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

Reconciliation of treasury shares	Company	
	2020 Number	2019 Number
At beginning of year	361,595	2,021,808
Purchase of own shares	715,323	97,913
Sale of own shares	-	(1,187,401)
Settlement of share options	(253,275)	(570,725)
At end of year	823,643	361,595

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 £1,239,000 (2019: £1,167,000). The brought forward share based payment reserve has been transferred to retained earnings in the current year and hence the share based payment reserve is not separately presented.

Reconciliation of outstanding options	2020		2019	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
At beginning of year	2,942,675	1.1	3,194,000	1.7
Granted during the year - PSP	490,000	1.0	754,400	1.0
Exercised during the year	(253,275)	2.7	(570,725)	4.0
Lapsed during the year	(325,000)	1.0	(435,000)	1.0
At end of year	2,854,400	1.0	2,942,675	1.1

22. Called-up share capital (continued)

During the year ended 31 December 2020, share options were issued under the Performance Share Plan ('PSP').

The options outstanding at 31 December 2020 had a weighted average contractual life of 8.0 years (2019: 8.8 years).

Included within the total outstanding options at 31 December 2020 are 15,000 options which are exercisable (2019: 83,275). The weighted average exercise price of exercisable options at the end of the year was 1.0 pence (2019: 6.0 pence).

Options exercised during the year had a weighted average share price at the date of exercise of 240.0 pence (2019: 195.0 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 2020 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. For options granted in the year, a risk-free rate of 0.06% and 0.07% and a dividend yield factor of 1.84% and 1.96% has been used for the options issued on 7 October and 23 October 2020 respectively. The share price on the date the options were granted was 235.0 pence and 250.0 pence on 7 October and 23 October 2020 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.

At 31 December 2020, 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	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				

22. Called-up share capital (continued)

At 31 December 2019, 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	Approved/Unapproved	Performance Share Plan	Enhanced Executive Incentive Addendum				
Nov 2012	Nov 2015	Nov 2022	4,942	-	-	86.0	18.6	10	40%
Sep 2013	Sep 2016	Sep 2023	-	3,333	-	1.0	80.8	10	25%
Sep 2015	Sep 2018	Sep 2025	-	30,000	-	1.0	77.0	10	16%
Aug 2016	Aug 2019	Aug 2026	-	45,000	-	1.0	96.5	10	21%
Sep 2017	Sep 2020	Sep 2027	-	210,000	-	1.0	207.1	10	24%
May 2018	May 2021	May 2028	-	430,000	-	1.0	224.4	10	25%
May 2018	May 2023	May 2028	-	-	850,000	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	-	515,000	-	1.0	225.3	10	23%
Oct 2019	Oct 2022	Oct 2029	-	500,000	-	1.0	177.8	10	17%
Nov 2019	Nov 2022	Nov 2029	-	254,400	-	1.0	211.7	10	18%
			4,942	2,087,733	850,000				

For all options granted prior to 2013, the exercise price is also the share price at date of grant.

23. Borrowings

Group	2020	2019
	£000	£000
Non-current bank borrowings	15,307	15,013
Current bank borrowings	1,200	1,200
	16,507	16,213
Group	2020	2019
	£000	£000
Opening balance	16,213	12,689
Increase in bank borrowing – term loan	1,500	4,750
Revolving credit facility assumed in business combination	-	4,969
Repayments in the year – term loan	(1,200)	(1,200)
Repayments in year – revolving credit facility	-	(5,000)
Arrangement fee associated with new borrowing	(13)	(39)
Impairment of loan arrangement fee	-	31
(Over)/under accrual adjustment	(8)	-
Amortisation of loan arrangement fee	15	13
Total borrowings	16,507	16,213

Science Group plc, the Company, had no bank borrowings at the start or 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.

23. Borrowings (continued)

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.

The term loan has no operating covenants while the Group net debt is less than £10 million. If this threshold is crossed, two conditions apply: a financial covenant, measured half-yearly on a 12 month rolling basis, such that annual EBITDA must exceed 1.25 times annual debt servicing (capital and interest); and a security covenant whereby the loan to value ('LTV') ratio of the securitised properties must remain below 75%. If either of these conditions is breached, a remedy period of 6 months is provided, during which time the EBITDA or LTV condition can be remedied or the net debt can be reduced to less than £10 million.

The reconciliation of bank loans interest expense is shown below.

Group	2020 £000	2019 £000
Interest expense	601	717
Interest paid	(586)	(646)
Impairment of loan arrangement fee	-	(31)
Amortisation of loan arrangement fee	(15)	(13)
Accruals at the year end	-	27

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

Group	2020 £000	2019 £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	10,600	10,300
	16,600	16,300

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 cost on the additional £4.8 million and the additional £1.5 million were fixed by entering into interest rate swaps at effective interest rates of 4.0% and 3.0% respectively. The combined effective interest rate on the loan is 3.5%.

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.

23. Borrowings (continued)

The Group has adopted hedge accounting for the interest rate swaps under IFRS 9, Financial Instruments, and the loss on change in fair value of the interest rate swaps of £519,000 (2019: £408,000) was recognised in Other Comprehensive Income. The fair value of the swap at 31 December 2020 was a liability of £634,000 (2019: £115,000).

The Group has adopted phase 1 of the amendments to IFRS 7. The Group is aware that 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 LIBOR to SONIA (Sterling Overnight Interest Average) 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 2020 matches the loan balance of £16.6 million (2019: £16.3 million), with these full balances each currently subject to LIBOR.

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 2020, 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	2020	2019
	£000	£000
Balance at 1 January	2,494	2,771
Assumed in business combination	-	1,337
Additions	298	368
Impairment loss	(513)	(796)
Depreciation charge for the year	(1,067)	(1,033)
Effect of movements in exchange rates	13	(153)
Balance at 31 December	1,225	2,494

Lease liabilities

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

Group - Land and Buildings	2020	2019
	£000	£000
Balance at 1 January	3,323	2,771
Assumed in business combination	-	1,357
Additions	298	368
Repayments in year	(1,339)	(998)
Effect of movements in exchange rates	3	(175)
Balance at 31 December	2,285	3,323

24. Leases (continued)

Lease liabilities are payable as follows

Group	Lease payments £000	Finance charges £000	2020 £000	Lease payments £000	Finance charges £000	2019 £000
Within one year	1,326	(79)	1,247	1,386	(174)	1,212
Between 1 and 5 years	1,071	(33)	1,038	2,173	(62)	2,111
	2,397	(112)	2,285	3,559	(236)	3,323

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 2020.

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	2019 £000
Within one year	224	659
Between 1 and 2 years	374	213
Total	598	872

25. Contingent liabilities

At 31 December 2020, there were £nil contingent liabilities (2019: £nil).

26. 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.

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

Company	2020 Loans due (to)/from	2020 Sale of goods and services	2019 Loans due (to)/from	2019 Sale of goods and services
SG Bidco Ltd	3,592	-	3,592	-
Frontier Smart Technologies Limited	3,626	309	6,372	-
Oakland Innovation Limited	2,331	717	-	-
Leatherhead Research Limited	1,093	172	-	-
	10,642	1,198	9,964	-
Sagentia Limited	(5,391)	(1,679)	(1,061)	706
Sagentia Inc.	(2,111)	(205)	-	-
Sagentia Technology Advisory Limited	-	-	10	-
Quadro Epsom Limited	(664)	154	-	-
Technology Sciences Group Limited	-	-	(52)	-
Technology Sciences Group Consulting Limited	(4,078)	635	(4,170)	-
TSGE Forum	-	-	(11)	-
TSG Iberia	-	-	(1)	-
TSG Inc.	(1,421)	271	133	-
TSG Canada	-	-	(193)	-
	(13,665)	(824)	(5,345)	706

Science Group plc entered into a transaction with Cambridge Medical Technologies Limited ('CMT'). 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. Sagentia Limited (a subsidiary of Science Group plc) entered into an agreement with CMT on 26 September 2014 to lease office space to CMT. During the year ended 31 December 2020, £12,000 (2019: £11,300) 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	2020 £000	2019 £000
Short-term employee benefits	1,761	1,591
Pension costs	40	42
Share based payment transactions	262	233
	2,063	1,866

27. 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 £8.1 million and £16.7 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 £1.6 million and £4.7 million for the Epsom and Harston properties respectively for the residual values to exceed the market values of these properties.

Fair values

In the prior year, the fair values of the identifiable assets acquired and liabilities assumed were determined as part of the purchase price allocation of the acquisition. The management determined 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.

28. Prior period restatement

In accordance with the Companies Act Section 731, in the event that the proceeds on sale of treasury shares exceed the purchase price originally paid by the company, the gain on sale of the shares shall be recognised within share premium. In the year ended 31 December 2019, a certain number of shares were issued out of treasury and proceeds were higher than the purchase price and the difference was incorrectly recognised within retained earnings. A restatement has been recognised that transfers this gain of £872,000 from retained earnings to share premium. This adjustment has not affected Group net assets or Profit after tax in the Consolidated Income Statement.

29. Post balance sheet events

There are no post balance sheet events to disclose.

Website

www.sciencegroup.com

Registered office

Harston Mill
Harston
Cambridge
CB22 7GG

Company number

06536543

science group plc

Harston Mill, Harston, Cambridge, CB22 7GG

+44 1223 875200

info@sciencegroup.com

www.sciencegroup.com