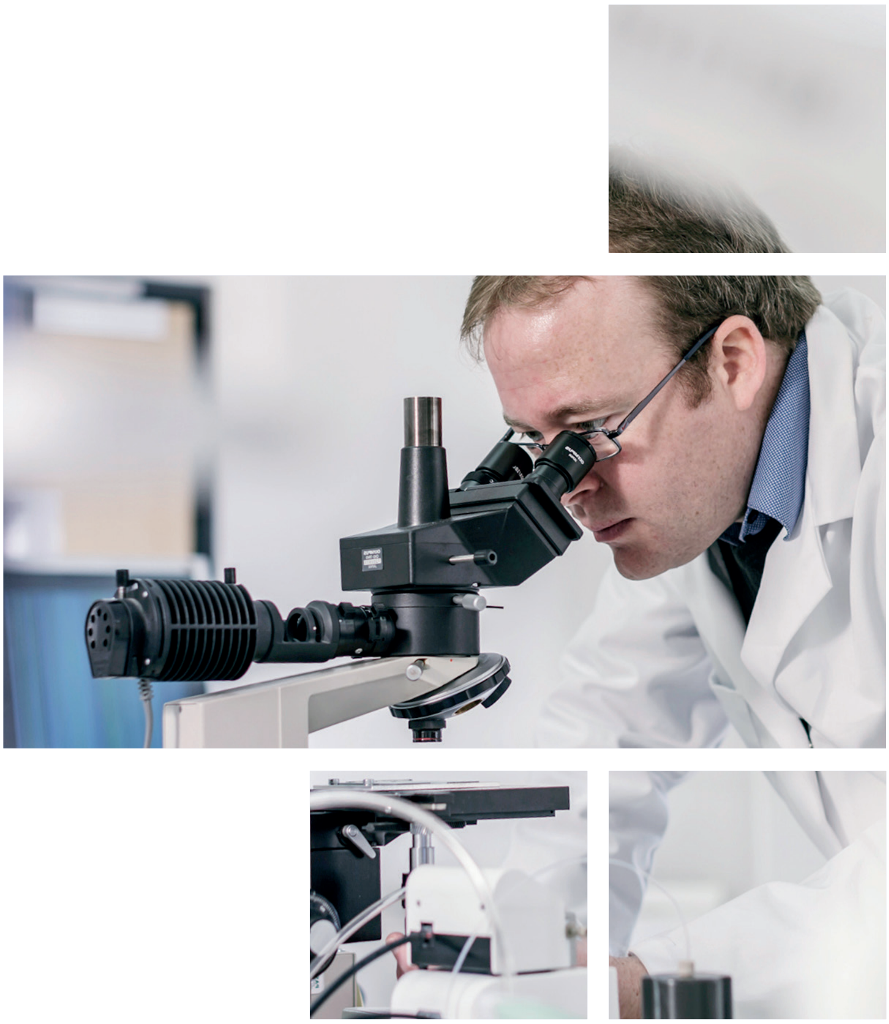
science group plc

Annual Report and Financial Statements 2015



Contents

Strategic Report

Chairman's Statement

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

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

Business summary

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

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

Cash balance at 31 December 2015 was £14.5 million (2014: £23.8 million) with net funds of £6.7 million (2014: £15.0 million) including bank debt of £7.8 million (2014: £8.8 million). The reduction in net funds resulted from cash outflows of £4.6 million associated with acquisitions; £9.0 million for the freehold property near Epsom, including £1.5 million VAT which has been reimbursed in 2016; and share buy backs of £0.6 million. Following the purchase of the property near Epsom, the Group has significant freehold property assets which have a combined balance sheet carrying value of £20.9 million (2014: £13.6 million).

Strategic developments and corporate matters

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

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

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

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

Reflecting the different channels to market, and the synergistic opportunities arising from the acquisitions, the Sagentia business structure has also evolved and will now comprise Sagentia-Medical and Sagentia-Commercial. At the same time, the North American sales organisation has been consolidated to ensure the integrated offerings from across the Group can be effectively marketed into this key geography that accounted for 57% of Group revenue in 2015 (2014: 61%).

Strategic Report continued

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

Summary

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

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

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

Martyn Ratcliffe
Chairman

Strategic Report continued

Finance Director's Report

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

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

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

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

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

A significant proportion of the Group's revenue is denominated in US Dollars and Euros and changes in exchange rates can have a significant influence on the financial performance. In 2015, £14.2 million of the Group revenue was denominated in US Dollars (2014: £14.1 million) and £2.1 million of the Group revenue was denominated in Euros (2014: £1.1 million) and the exchange rates during the year resulted in a revenue and operating profit benefit in the year, compared to 2014, of £0.8 million and £0.7 million respectively. The Group continues to monitor the volatility of the exchange rate and to date has decided not to utilise foreign exchange hedging instruments.

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

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

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

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

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

Strategic Report continued

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

Rebecca Hemsted
Finance Director

Strategic Report continued

Key Performance Indicators

The key performance indicators ('KPIs') are profit and cash flow. Profitability of the business, with its relatively fixed cost base, is managed primarily via the review of revenue with secondary measures of consultant utilisation and daily fee rates. Working capital is reviewed via measures of debtor days and combined 'debtor and WIP' days. Performance against KPIs is reported in the Finance Director's Report.

Principal Risks and Uncertainties

In addition to the financial risks discussed in Note 3 and the effects on business performance related to changes in currency exchange rates noted in the Finance Director's Report, the Directors consider that the principal risks and uncertainties facing the Group and a summary of the key measures taken to mitigate those risks are as follows:

Potential downturn in the market for outsourced services
Science Group is dependent on the global market for outsourced research, development and technology advisory services. An economic downturn or instability may cause customers to delay or cancel product development projects and/or related services, or to use internal resources to achieve their business goals.

The Group seeks to mitigate this risk 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 customers regarding the benefits of outsourced research and development services and Science Group's proven ability to fulfill those objectives.

Dependence on key personnel
Science Group's business relies on recruiting and retaining highly qualified technical experts on whom the business depends to deliver research and development services, often requiring leading edge science and technology. Failure to recruit and retain key staff could threaten the business's ability to deliver projects to its clients or to win new work.

The Group seeks to mitigate this risk by encouraging staff retention by offering competitive remuneration packages for personnel including base salary, annual bonus, pension and health benefits and share option schemes; offering a diversity of technically challenging work for a diversity of customers in a number of market sectors, across a variety of technologies; and providing career development paths and training support.

Reputational risk
Failure to deliver project deliverables to an agreed budget, timetable and quality may result in reputational damage to Science Group that may adversely affect future sales.

The Group seeks to mitigate this risk by having in place effective Quality Assurance procedures; review meetings being held with clients on a regular basis; formal questionnaires being sent to clients at the close of projects to ascertain their views and to inform improvements and actions that the Group may take; and various accreditations including ISO 9001 and ISO 13485.

Economic conditions or other factors affecting the financial circumstances of customers of the Group
The profitability of the Group could be adversely affected by the general economic conditions in the United Kingdom, United States and/or other key markets by virtue of the 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 credit limits and monitoring invoicing and work-in-progress on a regular basis and, if appropriate, requiring the payment in advance of all or part of the estimated costs.

Project over-run or failure 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.

Strategic Report continued

Currency exchange rates
A significant proportion of the Group's revenues are invoiced in currencies other than Pound Sterling, including but not limited to the US Dollar and Euro, while the vast majority of the Group's cost base is incurred in Pounds Sterling. As a result, variations in currency exchange rates may have a material impact on Group revenue and profit performance.

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

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;
- failure to attract and retain key technical and managerial staff;
- customer concentration;
- technology leadership;
- product 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;
- United Kingdom and other taxation;
- risk to property;
- changes in legislation relating to trading.

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. 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.

Governance
The Board considers sound governance as a critical component of Science Group's success. 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 our corporate governance can be found on page 14.

Employees and their development
Science Group is dependent upon the qualities and skills of its employees and the commitment of its people play a major role in the Group's success. The Group invests in training and developing its staff through internally arranged knowledge sharing events and through external courses, including technical, business and managerial training.

Employees' performance is aligned to the Group's goals through an annual performance review process and via Science Group's incentive programmes. Science Group provides employees with information about its activities through regular briefings and other media. Science Group operates a Group wide bonus/profit share scheme and share option scheme, at the discretion of the Remuneration Committee. Executives and managers in Science Group are invited to participate in these schemes on the basis of recommendations made by the Executive Management to the Remuneration Committee.

Diversity and inclusion
Science Group's employment policies are non-discriminatory on the grounds of age, gender, nationality, ethnic or racial origin, non-job-related-disability, sexual orientation or marital 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 solely on merit.

Strategic Report continued

The gender ratio for permanent employees in the Group at the end of the year was as follows:

	31 December 2015				31 December 2014			
	Male		Female		Male		Female	
	No	%	No	%	No	%	No	%
Plc Board of Directors (incl. Company Secretary)	3	60%	2	40%	4	67%	2	33%
Corporate Executive Team	2	67%	1	33%	2	67%	1	33%
Senior management & staff (>£60,000 per annum salary)	54	84%	10	16%	48	89%	6	11%
Other staff	126	45%	156	55%	87	64%	49	36%
Total staff	185	52%	169	48%	141	71%	58	29%

Notes:

- Staff are only allocated to one category. For example, where an employee 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.

STEM Bursary Scheme
Science Group has provided opportunities to paid interns since 2000 with many going on to work for the Group after graduating. The Science Group STEM Bursary Scheme was launched in 2013, and offers up to 10 paid bursaries of £2,500 each to support science and engineering students during the academic year. Successful applicants are also given preferential consideration for paid sandwich-year and/or summer placements with Science Group and future employment opportunities.

Health and safety
Science Group endeavours to ensure that the working environment is safe and conducive to healthy, safe and motivated employees. The Group has a Health and Safety at Work policy which is reviewed regularly by the Board. The Board Executive Director, responsible for health and safety is the Finance Director with day-to-day responsibility being undertaken by the Company Secretary.

The Group 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 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.

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

Environment
Science Group's policy with regard to the environment is to ensure that it understands and effectively manages the actual and potential environmental impact of our activities. The Directors feel that due to the nature of the Group's operations, it does not have a significant impact on the environment. The Group strives to seek to minimise its carbon impact and recognises that its activities should be carried out in an environmentally friendly manner and therefore aims to reduce waste and, where practicable, re-use and recycle consumables.

The Group's operations are conducted such 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.

Approved by the Board of Directors on 2 March 2016 and signed on its behalf by:

Martyn Ratcliffe
Chairman

Rebecca Hemsted
Finance Director

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 2015.

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 Finance Director's 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 21.

The Directors propose to pay a dividend of 4.0 pence per share for the year ended 31 December 2015 (2014: 4.0 pence).

Capital structure
Details of the Company's issued share capital, together with details of the movements therein are set out in Note 20 to the Financial Statements. The Company has one class of ordinary shares which carry no right to fixed income.

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

Directors
The Directors and associated biographies are listed on pages 12 and 13.

David Courtley and Michael Lacey-Solymar will retire by rotation and offer themselves for re-election at the next Annual General Meeting. Professor Keith Glover retired on 31 December 2015.

Directors' interests in shares and contracts
Directors' interests in the shares of Science Group plc at 31 December 2015 and 31 December 2014, and any changes subsequent to 31 December 2015, are disclosed in Note 8. 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 at 9am on 19 May 2016 at the offices of Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT. The notice of the Annual General Meeting contains the full text of resolutions to be proposed.

Purchase of own shares
At the AGM on 21 May 2015, shareholders approved a resolution for the Company to buy back up to 20% of its own shares. This resolution remains valid until the later of the conclusion of the next Annual General Meeting in 2016 or 30 June 2016. As at the date of this report, the Company had not used this authority. For further information refer to Note 20.

Employees
The average number of persons, including Directors, employed by the Group and their remuneration is set out in Note 7 to the Financial Statements.

Donations
The Company operates a scheme whereby it will, on a discretionary basis, match charitable donations raised by employees up to a specified limit. Charitable contributions made in 2015 were £4,000 (2014: £1,000). No political donations were made during the period (2014: £Nil).

Post balance sheet events
Post balance sheet events are disclosed in Note 27 to the Financial Statements.

Auditor
KPMG LLP were appointed as auditor during the year. KPMG LLP are willing to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Substantial shareholdings
As at the date of this report, Science Group had been notified of the following significant interests (greater than 3%) in its ordinary share capital:

Shareholder	Ordinary shares held	% held
Martyn Ratcliffe	13,412,906	32.7%
Ruffer LLP	4,511,281	11.0%
Miton Asset Management	4,400,006	10.7%
Hargreave Hale	3,775,311	9.2%
Charles Stanley & Co	1,564,118	3.8%
Allianz Global Investors Europe	1,500,000	3.7%

Report of the Directors continued

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

Director	Role at 31 December 2015	Date of (re-) appointment	Retired	Board Committee		
Martyn Ratcliffe	Chairman	21/05/15			N	
Rebecca Hemsted	Finance Director	20/05/14				
David Courtley+	Non-Executive	15/05/13		A	N	R
Michael Lacey-Solymar+	Non-Executive	15/05/13		A	N	R
Keith Glover+	Non-Executive	20/05/14	31 December 2015	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 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 Hemsted – Finance Director
Rebecca Hemsted was appointed to the Board on 27 January 2014. Ms Hemsted 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.

David Courtley* – Senior Independent Director
David Courtley was appointed a Non-Executive Director on 15 April 2010. He is also Chief Executive of Mozaic Services and Non-Executive Director of Parity plc. He was previously Chief Executive of Phoenix IT Group plc, Chief Executive of Fujitsu Services Europe and MD of EDS UK. He has a degree in Mathematics from Imperial College, London.

Michael Lacey-Solymar* – Non-Executive Director
Michael was appointed a Non-Executive Director on 11 October 2012. Michael has over 25 years corporate finance experience, having spent 18 years at UBS and seven years at Investec. He is currently a partner at Opus Corporate Finance LLP and a Non-Executive Director of DrugDev Inc. He has a degree in Modern Languages from the University of Oxford.

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.

* Retire by rotation at the next AGM

Report of the Directors continued

Corporate Governance Report

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

Statement about applying the principles of the Code
Science Group does not comply with the UK Corporate Governance Code but has reported on the Company's Corporate Governance arrangements drawing upon best practice available, including those aspects of the UK Corporate Governance Code which the Board considers to be relevant to the Company.

Board of Directors
Biographical details of the Directors are included on page 13.

At 31 December 2015, the Board comprised an Executive Chairman, 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 and Finance Director present.

The Chairman is primarily responsible for the working of the Board of Science Group plc, Group corporate strategy and the overall business operations. The Chairman is assisted in the managing of the business on a day-to-day basis by the Corporate Executive Team including the Finance Director.

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 Corporate Executive Team and Divisional Managing Directors within the framework approved in the annual financial plan and within a framework of Board-approved authorisation levels.

The Board met 20 times during 2015 (2014: 13). 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 meets ten times 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.

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 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 build on 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 updates as appropriate. The Board also seeks to use the Annual General Meeting to communicate with its shareholders.

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 2015, the remuneration package comprised salary, pension contributions, healthcare and life assurance benefits, a company bonus/profit share scheme and, where appropriate, share options.

Report of the Directors continued

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.

Audit Committee
The Audit Committee is chaired by Michael Lacey-Solymar and currently comprises Michael Lacey-Solymar and David Courtley. The Audit Committee met 3 times during 2015 (2014: 2). Further details on the Audit Committee are provided in the Report of the Audit Committee.

Remuneration Committee
The Remuneration Committee is chaired by David Courtley and currently comprises David Courtley and Michael Lacey-Solymar. The Remuneration Committee met 6 times during 2015 (2014: 4). It may take advice from time to time from external advisers, but did not do so in 2015. 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 also currently comprises David Courtley and Michael Lacey-Solymar. The Nomination Committee met once during 2015 (2014: 1). It may take advice from time to time from external advisers, but did not do so in 2015. The Committee meets when necessary. The 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 Board seeks input from all Directors regarding nominations for Board positions. All Board appointments have to be ratified at a General Meeting of the Company.

Meetings of the Board and sub-committees during 2015 were as follows:

	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held in 2015	20	3	6	1
Martyn Ratcliffe	20/20	3/3*	6/6*	1/1
Rebecca Hemsted	20/20	3/3*	5/6*	1/1*
David Courtley	19/20	3/3	6/6	1/1
Professor Keith Glover	19/20	3/3	6/6	1/1
Michael Lacey-Solymar	19/20	3/3	6/6	1/1

* Attendance by invitation

Report of the Directors continued

Report of the Remuneration Committee

Remuneration Committee
The Remuneration Committee, which is chaired by David Courtley, currently comprises David Courtley and Michael Lacey-Solymar.

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 both determines the individual remuneration package of the Chairman and Finance Director and reviews remuneration levels for all employees of Science Group. In accordance with the provisions of the UK Corporate Governance Code, this responsibility includes pension rights and any other compensation payments including bonus 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 a profit related bonus scheme for the Company for 2015.

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 package comprises 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 – executives, managers and employees receive annual bonuses related to company performance. The Chairman does not participate in the Group performance-related bonus scheme;
- 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.

Full details of each Director's remuneration package and their interests in shares and share options can be found in Note 8 to the Financial Statements. There are no elements of remuneration, other than basic earnings, which are treated as being pensionable.

Service contracts
The Chairman and Finance Director 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.

Share option plans
The Company adopted an approved and unapproved Share Option Scheme 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 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. The Remuneration Committee approves any options granted thereunder. 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. To date share options granted to the Chairman have been specifically approved by shareholders.

The market price of the shares at 31 December 2015 was 138.0 pence (2014: 118.5 pence). The highest and lowest price during the year was 160.5 pence and 118.5 pence respectively.

Report of the Directors continued

Report of the Audit Committee

Audit Committee
The Audit Committee is chaired by Michael Lacey-Solymar and currently comprises Michael Lacey-Solymar and David Courtley.

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 and any formal announcements relating to Science Group's financial performance; to review Science Group's internal financial controls and Science Group's internal control and risk management systems; and to 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.

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 mis-statement or loss, and that the system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

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 are also policies in place for the reporting and resolution of suspected 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 – management is 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 periodic operational/strategic 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 and reviews by management.

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 2015. No internal audit function is operated outside of the systems and processes in place, as the Board considers that Science Group is too small for a separate function. The Board considers the internal control system to be adequate for Science Group.

During the year KPMG LLP were appointed as auditor. They have provided services in relation to the annual audit of the Group but have not provided any non-audit services.

Report of the Directors continued

Report of the Nomination Committee

The Nomination Committee is chaired by Martyn Ratcliffe and also currently comprises David Courtley and Michael Lacey-Solymar.

The Nomination Committee reviews the composition of the Board and its effectiveness on an annual basis in order to ensure that the Board comprises the requisite skills and experience and reviews how the Board works together as a unit. The Nomination Committee does not believe that it is appropriate to set any specific targets with regards to diversity, including gender, although the Committee believes that the search for Board candidates should be conducted, and appointments made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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 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 and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

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 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.

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 2 March 2016 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

We have audited the financial statements of Science Group plc for the year ended 31st December 2015 set out on pages 21-59. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
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 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion 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.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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.

Charles le Strange Meakin
(Senior Statutory Auditor)
For and on behalf of KPMG LLP,
Statutory Auditor Chartered Accountants
Botanic House,
100 Hills Road,
Cambridge

2 March 2016

Financial Statements

and Notes to the Financial Statements

Consolidated Income Statement

For the year ended 31 December 2015

		Group	
	Note	**2015 £000**	2014 £000
Revenue	4	**31,220**	28,329
Operating expenses	5	**(25,896)**	(22,926)
Adjusted operating profit	4	**5,324**	5,403
Amortisation and impairment of intangible assets	13	**(1,660)**	(229)
Share based payment charge	7	**(452)**	(431)
Other exceptional costs	4	**(534)**	-
Operating profit		**2,678**	4,743
Finance income	6	**88**	28
Finance costs	6	**(326)**	(570)
Profit before income tax		**2,440**	4,201
Income tax	9	**368**	(765)
Profit for the year		**2,808**	3,436
Profit for the year attributable to equity holders of the parent		**2,808**	3,436
Earnings per share			
Earnings per share from continuing operations (basic)	11	**7.2p**	8.9p
Earnings per share from continuing operations (diluted)	11	**6.8p**	8.1p

All amounts relate to continuing operations.

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

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

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2015

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

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2015

Company	Issued capital £000	Share premium £000	Treasury stock £000	Merger reserve £000	Translation reserve £000	Share based payment reserve £000	Retained earnings £000	Total share-holders' funds £000
Balance at 1 January 2014	**420**	**7,775**	**(2,937)**	**10,343**	**-**	**316**	**15,897**	**31,814**
Purchase of own shares	-	-	(1,801)	-	-	-	-	**(1,801)**
Issue of shares out of share capital	1	31	-	-	-	-	-	**32**
Issue of shares out of treasury stock	-	-	300	-	-	-	(138)	**162**
Dividends paid	-	-	-	-	-	-	(428)	**(428)**
Share based payment charge	-	-	-	-	-	26	-	**26**
Deferred tax on share based payment transactions	-	-	-	-	-	-	370	**370**
Transactions with owners	**1**	**31**	**(1,501)**	**-**	**-**	**26**	**(196)**	**(1,639)**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**6,426**	**6,426**
Balance at 31 December 2014	**421**	**7,806**	**(4,438)**	**10,343**	**-**	**342**	**22,127**	**36,601**
Balance at 1 January 2015	**421**	**7,806**	**(4,438)**	**10,343**	**-**	**342**	**22,127**	**36,601**
Purchase of own shares	-	-	(575)	-	-	-	-	**(575)**
Acquisition of Oakland Innovation Limited	-	424	940	-	-	-	-	**1,364**
Issue of shares out of treasury stock	-	-	2,858	-	-	-	(1,400)	**1,458**
Dividends paid	-	-	-	-	-	-	(1,527)	**(1,527)**
Share based payment charge	-	-	-	-	-	43	-	**43**
Deferred tax on share based payment transactions	-	-	-	-	-	-	(360)	**(360)**
Transactions with owners	**-**	**424**	**3,223**	**-**	**-**	**43**	**(3,287)**	**403**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	3,100	**3,100**
Balance at 31 December 2015	**421**	**8,230**	**(1,215)**	**10,343**	**-**	**385**	**21,940**	**40,104**

Consolidated and Company Balance Sheet

At 31 December 2015

	Note	Company 2015 £000	Company 2014 £000	Group 2015 £000	Group 2014 £000
ASSETS					
Non-current assets					
Acquisition related intangible assets	13	**-**	-	**6,000**	1,867
Goodwill	13	**-**	-	**5,073**	3,458
Property, plant and equipment	14	**-**	-	**22,040**	14,458
Investments	15	**21,781**	16,818	**100**	-
Deferred income tax assets	10	**23**	423	**1,324**	1,868
		21,804	17,241	**34,537**	21,651
Current assets					
Trade and other receivables	16	**16,784**	14,256	**8,980**	5,474
Current income tax asset		**1**	-	**472**	-
Cash and cash equivalents	17	**1,724**	5,231	**14,516**	23,802
		18,509	19,487	**23,968**	29,276
Total assets		**40,313**	36,728	**58,505**	50,927
LIABILITIES					
Current liabilities					
Trade and other payables	18	**209**	122	**10,689**	6,783
Current income tax liabilities	18	**-**	5	**-**	22
Borrowings	18	**-**	-	**1,034**	1,009
		209	127	**11,723**	7,814
Non-current liabilities					
Borrowings	19	**-**	-	**6,753**	7,778
Derivative financial liabilities	19	**-**	-	**141**	203
Deferred income tax liabilities	10, 19	**-**	-	**2,657**	1,683
		-	-	**9,551**	9,664
Total liabilities		**209**	127	**21,274**	17,478
Net assets		**40,104**	36,601	**37,231**	33,449
Shareholders' equity					
Share capital	20	**421**	421	**421**	421
Share premium		**8,230**	7,806	**8,230**	7,806
Treasury stock		**(1,215)**	(4,438)	**(1,215)**	(4,438)
Merger reserve		**10,343**	10,343	**10,343**	10,343
Translation reserve		**-**	-	**308**	238
Share based payment reserve		**385**	342	**2,359**	1,907
Retained earnings		**21,940**	22,127	**16,785**	17,172
Total equity		**40,104**	36,601	**37,231**	33,449

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

Rebecca Hemsted Finance Director
Martyn Ratcliffe Chairman
On 2 March 2016

The accompanying Notes are an integral part of the Consolidated and Company Balance Sheet.
The Company's registered number is **06536543**.

Consolidated and Company Statement of Cash Flows

For the year ended 31 December 2015

		Company		Group	
	Note	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Profit before income tax		**3,133**	6,378	**2,440**	4,201
Depreciation and amortisation charges		**-**	-	**1,114**	629
Loss on disposal of property, plant and equipment		**-**	-	**7**	7
Change in fair value on interest rate swap		**-**	-	**(62)**	203
Share based payment charge		**43**	26	**452**	431
Impairment of goodwill and intangible assets		**-**	-	**1,066**	126
Impairment of cost of investment		**387**	-	**-**	-
Write-off of fair value of contingent consideration		**-**	-	**-**	(81)
Increase in receivables		**(2,528)**	(4,317)	**(1,412)**	(202)
Increase/(decrease) in payables		**88**	(99)	**1,283**	(291)
Cash generated from operations		**1,123**	1,988	**4,888**	5,023
UK corporation tax paid		**-**	(3)	**(9)**	(155)
Foreign corporation tax received		**-**	-	**2**	-
Cash flows from operating activities		**1,123**	1,985	**4,881**	4,868
Purchase of property, plant and equipment		**-**	-	**(7,857)**	(428)
Purchase of subsidiary undertaking, net of cash received		**(3,636)**	-	**(4,588)**	-
Purchase of interest in associated companies		**-**	-	**(100)**	-
Increase in equity investment in subsidiaries		**(350)**	-	**-**	-
Cash flows used in investing activities		**(3,986)**	-	**(12,545)**	(428)
Issue of ordinary share capital		**-**	32	**-**	32
Issue of shares out of treasury		**1,458**	162	**1,458**	162
Repurchase of own shares		**(575)**	(1,801)	**(575)**	(1,801)
Dividends paid		**(1,527)**	(428)	**(1,527)**	(428)
Repayment of bank loans		**-**	-	**(1,000)**	(1,000)
Repayment of other loan		**-**	-	**-**	(11)
Cash flows used in financing activities		**(644)**	(2,035)	**(1,644)**	(3,046)
(Decrease)/increase in cash and cash equivalents in the year		**(3,507)**	(50)	**(9,308)**	1,394
Cash and cash equivalents at the beginning of the year		**5,231**	5,281	**23,802**	22,428
Exchange gains/(losses) on cash		**-**	-	**22**	(20)
Cash and cash equivalents at the end of the year	17	**1,724**	5,231	**14,516**	23,802

Notes to the Financial Statements

For the year ended 31 December 2015

1 General information

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

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 2 March 2016.

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 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 in accordance with IFRS as adopted by the EU.

Of the new standards and interpretations effective for the year ended 31 December 2015, there was no impact on the presentation of the financial statements of Science Group other than in disclosure. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated financial statements.

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 £3,100,000 (2014: £6,426,000).

The standards and interpretations in issue but not effective for accounting periods commencing on 1 January 2015 that may impact on Science Group going forward are listed below. Science Group has not adopted these early.

Number	Title	Effective
Amendments to IFRS 5, 7 and IAS 19 and 34	Annual improvements to IFRS 2012-2014 Cycle	1-Jan-16
IFRS 9	Financial Instruments	1-Jan-18
IFRS 15	Revenue from Contracts with Customers	1-Jan-18
IFRS 16	Leases	1-Jan-19

With the exception of IFRS 16, all standards and interpretations are not expected to have any significant impact on Science Group's financial statements in their periods of initial application. The Directors are preparing their analysis of IFRS 16 and therefore it is not practicable to provide a reasonable estimate of the effect of this standard until a detailed review has been completed.

Notes to the Financial Statements continued

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Science Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 26.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are also described in the Strategic Report. In addition, Note 3 to the Financial Statements and the Report of the Directors include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.2 Basis of consolidation
The basis of consolidation is set out below:

Subsidiaries – subsidiaries are entities over which Science Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Science Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to Science Group. They are de-consolidated from the date that control ceases. Intercompany balances and transactions between Group companies are eliminated on consolidation.

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.

Other investments – investments made in entities over which Science Group is deemed to have no significant influence are stated at cost less any provision for impairment where appropriate. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2.3 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).

There are two segments identified; Core Business and Non-Core Business. Core Business activities include all service revenue, recharged materials and product and licence income generated directly from these activities. Non-Core activities include rental income from Harston Mill and associated services.

2.4 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 customer contracts and relationships is between 7 and 11 years.

2.5 Research and development expenditure
Research and development expenditure is written off as incurred.

Notes to the Financial Statements continued

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment
Land and buildings as shown in the Notes to the Financial Statement 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 buildings is calculated using the reducing balance method to calculate their cost less their residual values over their economic life as follows:

Buildings	25 years

The basis of depreciation for buildings will be reviewed during 2016 prior to commencement of depreciation of Great Burgh. Depreciation on other assets is calculated using the straight line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Furniture and fittings	3-5 years
Equipment	3 years

Acquired computer software licences are included within Equipment. These are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

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.

2.7 Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that Science Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.8 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.

2.9 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.

2.10 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 Science Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.11 Derivative financial instruments
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are recognised initially at fair value and attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below. Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

2.12 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, 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. Where such shares are subsequently cancelled, the movement is recognised directly in equity with no gain or loss recognised in profit or loss.

Notes to the Financial Statements continued

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

2.13 Revenue recognition
Consulting revenue represents the fair value of the consideration received or receivable for consulting services on each client assignment provided during the year based on the time worked at agreed fee rates, including expenses and disbursements but excluding value added tax and other similar sales taxes for both time and materials and fixed price contracts.

Subscription income is recognised in the income statement on a straight line basis.

Services revenues excluding subscription revenue is recognised when the service has been provided.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. An expected loss on contract is recognised immediately in the income statement.

Property income from leases over property held is recognised in the related period on a straight line basis over the lease term.

Investment income is recognised in the income statement in the period in which it arises.

2.14 Dividend income
Dividend income is recognised when the right to receive payment is established.

2.15 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 Pound 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);

(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.

2.16 Employee benefits
(a) Pension obligations
Group companies operate various pension schemes. The 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. provides 401(k) benefits to employees. Science 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.

Notes to the Financial Statements continued

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

2.16 Employee benefits (continued)
(b) Share based compensation (continued)
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 when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(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 provision 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 paid quarterly and is only payable to the employee when the associated revenue is recognised.

2.17 Deferred income tax
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.

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.

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

2.19 Leases
In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. Leases of land and buildings are split into land and buildings elements according to the relative fair values of the leasehold interests at the date the asset is initially recognised.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are treated as operating leases and are charged on a straight line basis over the lease term, even if payments are not made on such a basis. Income from property leases is recognised in the related period on a straight line basis over the lease term. The majority of property leases are subject to mutual notice periods of up to 6 months.

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

2.21 Exceptional items
Exceptional items are non-recurring costs which are outside the scope of the Group's ordinary activities. Such items are disclosed separately within the income statement.

Notes to the Financial Statements continued

For the year ended 31 December 2015

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 by using external forward currency contracts. There were no open forward currency contracts at the year end.

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:

2015 **£000**	**US$**	**Euro**	**Others**	**Total**
Financial assets	3,849	1,352	-	5,201
Financial liabilities	(69)	(34)	-	(103)
Exposure	**3,780**	**1,318**	**-**	**5,098**

2014 £000	US$	Euro	Others	Total
Financial assets	4,270	1,067	-	5,337
Financial liabilities	(40)	(98)	-	(138)
Exposure	4,230	969	-	5,199

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

The following table illustrates the sensitivity of the net movement on reserves and equity in regards to Science Group's financial assets and financial liabilities and the US Dollar/GBP exchange rate and Euro/GBP exchange rate. It assumes a +/- 10.0% change of the GBP/US Dollar exchange rate for the year ended 31 December 2015 (2014: 10.0%). A +/- 10.0% change is considered for the GBP/Euro exchange rate (2014: 10.0%).

If the GBP had strengthened against the US Dollar and Euro by 10.0% (2014: 10.0%) respectively then this would have had the following impact:

2015 **£000**	**US$**	**Euro**	**Total**
Income statement	(356)	(126)	(482)
Equity	(356)	(126)	(482)

2014 £000	US$	Euro	Total
Income statement	(392)	(106)	(498)
Equity	(392)	(106)	(498)

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.

Notes to the Financial Statements continued

For the year ended 31 December 2015

3 Financial risk management (continued)

3.1 Financial risk factors (continued)
(a) Foreign currency sensitivity (continued)

The actual currency rate movement against the US Dollar and Euro at year end compared to the previous year end was -5.6% (2014: -6.3%) and +5.2% (2014: +6.6%) 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	**2015** **£000**	2014 £000
Pound Sterling – bank loan	**7,750**	8,750

Weighted average interest rate	**%**	%
Pound Sterling – fixed rate bank loan	**3.89%**	3.89%
Pound Sterling – floating rate bank loan	**LIBOR+2.0%**	LIBOR+2.0%

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 21. Terms and conditions of the interest rate swap are as disclosed in Note 21.

(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**	
	2015 **£000**	2014 £000	**2015** **£000**	2014 £000
Cash and cash equivalents	**1,724**	5,231	**14,516**	23,802
Trade and other receivables	**16,706**	14,044	**7,298**	4,946
	18,430	19,275	**21,814**	28,748

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

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

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

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

3 Financial risk management (continued)

3.1 Financial risk factors (continued)
(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 2015, Science Group's financial liabilities have contractual maturities which are summarised below:

2015	**Current**		**Non-current**	
	< 6 months £000	**6 to 12 months £000**	**1 to 5 years £000**	**> 5 years £000**
Bank borrowings	**500**	**500**	**6,750**	-
Other borrowings	**17**	**17**	**3**	-
Interest on bank borrowings	**144**	**135**	**398**	-
Trade payables	**639**	-	-	-
Accruals	**3,159**	-	-	-
Financial instruments	-	-	**141**	-
	4,459	**652**	**7,292**	-

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

2014	Current		Non-current	
	< 6 months £000	6 to 12 months £000	1 to 5 years £000	> 5 years £000
Bank borrowings	500	500	7,750	-
Other borrowings	5	4	28	-
Interest on bank borrowings	163	154	677	-
Trade payables	484	-	-	-
Accruals	2,196	-	-	-
Financial instruments	-	-	203	-
	3,348	658	8,658	-

Notes to the Financial Statements continued

For the year ended 31 December 2015

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**	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Loans and receivables:				
- Trade receivables	**-**	-	**7,071**	4,202
- Other receivables	**16,706**	14,044	**227**	744
- Cash and cash equivalents	**1,724**	5,231	**14,516**	23,802
	18,430	19,275	**21,814**	28,748
Financial liabilities at amortised cost:				
- Non-current borrowings	**-**	-	**6,753**	7,778
- Current borrowings	**-**	-	**1,034**	1,009
- Trade payables	**4**	37	**639**	484
- Accruals	**157**	85	**3,159**	2,196
	161	122	**11,585**	11,467
Derivatives used for hedging:				
- Financial instruments	**-**	-	**141**	203
	-	-	**141**	203

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.

Notes to the Financial Statements continued

For the year ended 31 December 2015

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	
	2015 £000	2014 £000
Total shareholders' funds	**37,231**	33,449
Net funds (cash less borrowings)	**6,729**	15,015
Freehold property at Harston Mill	**13,528**	13,590
Freehold property at Great Burgh	**7,366**	-

Shareholders' funds
In 2015 Sagentia Limited paid a dividend distribution of £3.5 million (2014: £6.5 million) and OTM Consulting Limited paid a dividend distribution of £0.4 million (2014: £0.5 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 (2014: 4.0 pence). The Board anticipates recommending a single dividend being paid each year.

Net funds
The net funds of the Group have decreased by £8.3 million in 2015 as a result of the purchase of freehold property near Epsom of £9.0 million, including £1.5 million VAT which will be reimbursed in 2016, the acquisition of Oakland Innovation Limited, of which £3.6 million net consideration was paid in cash and the acquisition of business and assets of Leatherhead Food International Limited, of which £1.6 million net consideration was paid in cash. This is offset by effective cash flow management as set out in the Consolidated Statement of Cash Flows.

Details of the Group's borrowings are set out in Note 21 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 14.

Notes to the Financial Statements continued

For the year ended 31 December 2015

4 Segment information

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

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

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

4 Segment information (continued)

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

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

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

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

5 Operating expenses

Expenses by nature		Group	
Year ended 31 December	**Note**	**2015 £000**	2014 £000
Employee remuneration and benefit expenses	7	**17,699**	15,060
Operating third party expenses		**2,040**	2,268
Occupancy costs		**2,637**	2,078
Equipment and consumables		**788**	324
Selling and marketing expenses		**1,599**	1,756
Depreciation of property, plant and equipment	14	**520**	445
Foreign currency losses		**(5)**	(5)
Amortisation and impairment of intangible assets		**1,660**	229
Other		**1,604**	1,431
		28,542	23,586
Less expenses below adjusted operating profit		**(2,646)**	(660)
		25,896	22,926

Included above	Group	
	2015 £000	2014 £000
Research and development *	**5,840**	6,619
Operating lease rentals		
- Plant and machinery	**41**	40
Auditors' remuneration		
Services to the Company and its subsidiaries:		
Fees payable to the Company's auditors for the audit of the financial statements	**10**	10
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	**54**	42
Other non-audit fees	**-**	37

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

The 2014 auditor's remuneration for audit services and other non-audit services relate solely to amounts paid to Grant Thornton UK LLP. The 2015 amounts relate solely to amounts paid to KPMG LLP.

Notes to the Financial Statements continued

For the year ended 31 December 2015

6 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	**2015 £000**	2014 £000
Finance income		
Bank interest receivable and similar income	**88**	28
Finance costs		
Bank borrowings	**(388)**	(367)
Change in fair value of interest rate swap	**62**	(203)
	(326)	(570)

7 Employee benefit expenses

Employment costs are shown below:

	Group	
Year ended 31 December	**2015 £000**	2014 £000
Wages and salaries (including bonuses and healthcare costs)	**14,349**	11,986
Social security costs	**1,881**	1,661
Sales commission	**182**	229
Pension costs	**835**	753
Share based payments	**452**	431
	17,699	15,060

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

	Group	
Year ended 31 December	**2015**	2014
Technology consultants	**202**	167
Marketing, support, administration and other technically-qualified staff	**62**	41
	264	208

Notes to the Financial Statements continued

For the year ended 31 December 2015

8 Directors' remuneration, interests and transactions

Directors' emoluments and benefits include:

Year ended 31 December 2015	**Salary/fee**	**Bonus**	**Pension contribution**	**Taxable benefits**	**Discretionary payment**	**Total**
Name of Director	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Courtley	**35**	**-**	**-**	**-**	**-**	**35**
Glover	**41**	**-**	**-**	**-**	**-**	**41**
Hemsted	**118**	**31**	**8**	**1**	**-**	**158**
Lacey-Solymar	**35**	**-**	**-**	**-**	**-**	**35**
Ratcliffe	**275**	**-**	**-**	**-**	**50**	**325**
Aggregate emoluments	**504**	**31**	**8**	**1**	**50**	**594**

Year ended 31 December 2014	Salary/fee	Bonus	Pension contribution	Taxable benefits	Discretionary payment	Total
Name of Director	£000	£000	£000	£000	£000	£000
Courtley	34	-	-	-	-	34
Elton	22	-	1	1	-	24
Glover	34	-	-	-	-	34
Hemsted	105	25	5	1	-	136
Lacey-Solymar	34	-	-	-	-	34
Ratcliffe	275	-	-	-	-	275
Aggregate emoluments	504	25	6	2	-	537

Directors' emoluments and benefits are stated for the Directors of Science Group plc only. In addition to the above, a share based payment charge of £43,000 was recognised in the income statement relating to share options held by Directors (2014: £26,000).

The amounts shown were recognised as an expense during the year related 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 acknowledgement of the substantial additional time required related to the integration of the acquisitions. Mr Ratcliffe does not participate in the Group bonus scheme.

Total social security costs related to Directors during the year was £76,000 (2014: £67,000).

The above figures for emoluments do not include any gains made on the exercise of share options received under long term incentive schemes (2014: Nil). During 2015, Martyn Ratcliffe, Chairman of Science Group, exercised 2,500,000 share options at a price of 40.0 pence per share resulting in a gain of £2.8 million, although he retained 900,000 shares after payment of tax, resulting in an incremental personal cash investment of £0.1 million.

Directors' interests in the shares of Science Group at 31 December 2015 and 31 December 2014, and any changes subsequent to 31 December 2015, are as follows:

Science Group plc Ordinary shares of £0.01		**Options**			**Shares**	
Year ended 31 December	**2015**	2014	**2015**	2014	**2015**	2015
	Average exercise price (pence)		**Number**		**Number**	
Hemsted	**1.0**	1.0	**175,000**	150,000	**-**	-
Ratcliffe	**-**	40.0	**-**	2,500,000	**13,412,906**	12,512,906
Courtley	**-**	-	**-**	-	**375,000**	375,000
			175,000	2,650,000	**13,787,906**	12,887,906

See Note 20 for further details on option plans. Keith Glover retired from being a Director on 31 December 2015.

Notes to the Financial Statements continued

For the year ended 31 December 2015

9 Income tax

The tax credit/(charge) comprises:

Year ended 31 December	**2015 £000**	2014 £000
Current taxation	**(114)**	(120)
Adjustment to prior year	**779**	97
Deferred taxation (Note 10)	**(297)**	(742)
	368	(765)

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

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

The weighted average statutory applicable tax rate was 20.3% (2014: 21.5%).

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

10 Deferred income tax

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

10 Deferred income tax (continued)

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

	2015 £000	2014 £000
Beginning of the year	**185**	462
Acquisition of subsidiaries in the year	**(953)**	-
Income statement charge (Note 9)	**(297)**	(742)
Movement in equity	**(268)**	465
End of year	**(1,333)**	185

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

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

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

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

Company	Provided		Not provided	
Deferred taxation is attributable to:	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Tax losses available	**-**	6	**436**	-
Other temporary differences	**23**	417	**-**	-
Deferred tax (liability)/asset	**23**	423	**436**	-
Tax losses relating to deferred tax asset not recognised	**-**	-	**2,181**	-

Notes to the Financial Statements continued

For the year ended 31 December 2015

11 Earnings per share

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

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

Only the share options granted, as disclosed in Note 20, are dilutive. The number of shares in issue (excluding treasury shares) at 31 December 2015 is 41,060,006 (2014: 37,336,615).

12 Dividends

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

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

13 Intangible assets

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

Reconciliation of amortisation and impairment to the Consolidated Income Statement:

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

13 Intangible assets (continued)

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

The carrying amount of goodwill is allocated as follows:

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

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

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

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

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

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

Sensitivity analysis

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value. A decrease in the PBIT margin by 1 percentage point with all other variables remaining constant would increase the impairment by £270,000. A decrease in the revenue growth by 1 percentage point in years 1 to 4 with all other variables remaining constant would increase the impairment by £140,000.

Notes to the Financial Statements continued

For the year ended 31 December 2015

14 Property, plant and equipment

Group	Freehold land and buildings £000	Furniture and fittings £000	Equipment £000	Total £000
Cost				
At 1 January 2014	16,681	1,172	883	18,736
Exchange differences on cost	-	-	3	3
Additions	-	337	91	428
Disposals	-	(6)	(14)	(20)
At 1 January 2015	16,681	1,503	963	19,147
Exchange differences on cost	-	-	2	2
Additions	7,366	320	171	7,857
Additions through business combinations	-	3	249	252
Disposals	-	(3)	(38)	(41)
At 31 December 2015	**24,047**	**1,823**	**1,347**	**27,217**
Accumulated depreciation				
At 1 January 2014	3,024	632	598	4,254
Depreciation charge	67	228	150	445
Exchange differences on depreciation	-	-	3	3
Disposals	-	(1)	(12)	(13)
At 1 January 2015	3,091	859	739	4,689
Depreciation charge	62	262	196	520
Exchange differences on depreciation	-	-	2	2
Disposals	-	(3)	(31)	(34)
At 31 December 2015	**3,153**	**1,118**	**906**	**5,177**
Carrying amount				
At 31 December 2014	13,590	644	224	14,458
At 31 December 2015	**20,894**	**705**	**441**	**22,040**

Notes to the Financial Statements continued

For the year ended 31 December 2015

14 Property, plant and equipment (continued)

On 12 November 2015, Quadro Design Limited, a 100% subsidiary of Science Group plc, acquired a freehold property near Epsom, UK for £7.0 million. Directly attributable costs of £0.4 million were incurred and fixtures and fittings of £0.3 million were acquired. At 31 December 2015 the site was being developed and not in use and as a result no depreciation charge in the year ended 31 December 2015 was recognised. This property will comprise offices, laboratories and a consumer sensory centre and was acquired solely for the use of Science Group.

The Harston property is held at cost less accumulated depreciation. Included within land and buildings for Science Group is freehold land to the value of £1,360,000 (2014: £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 since. The Harston property was last formally valued during August 2013 by Savills for Lloyds. Under the assumptions used, including tenant covenant strength and market rents, the indicative valuation range for the building was between £12.9 million based on occupational tenancies where the head lease is merged into the freehold interest, and £18.0 million under a sale and leaseback scenario.

The Harston property generated third party rental and services income of £1,073,000 (2014: £1,024,000). Of this income, £619,000 (2014: £549,000) was rental income and £454,000 (2014: £475,000) was services income. Services income includes, but is not limited to, utilities, cleaning, general maintenance and use of subsidised restaurant facilities.

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 2015 was 31,300 sq ft (2014: 29,500 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 44,200 sq ft (2014: 41,200 sq ft) was used by the Group during the year for its business activities including office space and laboratory space and 20,000 sq ft are common areas. The remaining space of 1,500 sq ft (2014: 6,300 sq ft) was vacant during the year.

Given the continuing rental values and occupancy rates the Directors do not believe that the carrying value of the Harston property of £13,527,000 (2014: £13,590,000) is significantly different to its fair value determined during the year. The interest in Harston freehold land and buildings has been charged as security to the bank loan (see Note 21).

Science Group plc had no fixed assets at the start or end of the year.

Notes to the Financial Statements continued

For the year ended 31 December 2015

15 Investments

a) Investments in subsidiaries
Science Group held investments in the following subsidiaries at 31 December 2015.

Subsidiaries of Science Group plc	Country of incorporation	Principal activity	Shares held	%
Consulting operations				
Sagentia Limited*	England	Consultancy	Ordinary	100
Sagentia Technology Advisory Limited	England	Holding company	Ordinary	100
OTM Consulting Limited*	England	Consultancy	Ordinary	100
Quadro Design Limited*	England	Property	Ordinary	100
Manage5Nines Limited**	England	IT Consultancy	Ordinary	100
Sagentia Inc.	USA	Consultancy	Ordinary	100
OTM Consulting Inc.	USA	Consultancy	Ordinary	100
Oakland Innovation Limited	England	Consultancy	Ordinary	100
Leatherhead Research Limited***	England	Consultancy	Ordinary	100

* Direct subsidiaries of Science Group plc as at 31 December 2015

** Manage5Nines Limited ceased to trade during 2014

*** During 2015, a direct subsidiary of Science Group plc was incorporated and named SGL1 Limited. SGL1 Limited acquired the business and assets of Leatherhead Food International Limited ('Leatherhead') on 16 September 2015 and was renamed Leatherhead Research Limited following the acquisition of Leatherhead.

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

b) Other investments
On 27 January 2015, the Group acquired 30% of the ordinary share capital of Creactive (ID) Design Limited, a Cambridge-based industrial design consultancy, for a total cash consideration of £100,000. The Directors do not consider that any of its investments are associates and to avoid a statement of excessive length, details of investments that are not significant have been omitted.

Notes to the Financial Statements continued

For the year ended 31 December 2015

15 Investments (continued)

c) Company investments

	Total £000
Cost	
At 1 January 2014	16,818
At 31 December 2014	16,818
Acquisitions through business combinations	5,000
Recapitalisation of subsidiaries	350
At 31 December 2015	**22,168**
Impairment	
At 1 January 2014	-
At 31 December 2014	-
Impairment loss	387
At 31 December 2015	**387**
Carrying amount	
At 31 December 2014	16,818
At 31 December 2015	**21,781**

An impairment loss of £0.4 million was recognised during the year within operating expenses in the Company Income Statement. The impairment relates to the OTM Consulting Limited business and has resulted from a deterioration in the oil & gas market related to the decline in the oil price since the company was purchased in 2013, which has led to a reduction in forecast net future cash flows.

Refer to Note 13 for further information on the impairment reviews performed and the calculation of the recoverable amounts.

On 22 October 2015, Science Group plc purchased the 100% subsidiary Quadro Design Limited from the 100% direct subsidiary Sagentia Limited for consideration of £1.

On 22 December 2015, Quadro Design Limited, 100% subsidiary of Science Group plc, issued share capital of £250,000.

On 23 December 2015, Leatherhead Research Limited, 100% subsidiary of Science Group plc, issued share capital of £100,000.

Notes to the Financial Statements continued

For the year ended 31 December 2015

16 Trade and other receivables

	Company		Group	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Current assets				
Trade receivables	**-**	-	**7,187**	4,269
Provision for impairment	**-**	-	**(116)**	(67)
Trade receivables – net	**-**	-	**7,071**	4,202
Amounts recoverable on contracts	**-**	-	**208**	728
Other receivables	**-**	-	**19**	16
Amounts owed by Group undertakings	**16,706**	14,044	**-**	-
VAT	**36**	26	**1,129**	-
Prepayments	**42**	186	**553**	528
	16,784	14,256	**8,980**	5,474

All amounts disclosed above are receivable within 90 days.

All of Science Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were considered to be impaired and a provision of £116,000 (2014: £67,000) has been provided at 31 December 2015. In addition, some of the unimpaired trade receivables are past due as at the reporting date.

	Group	
	2015 £000	2014 £000
Provision brought forward	**67**	81
Debts written off	**(4)**	(24)
Provision released	**(63)**	(30)
Provision made	**116**	40
Provision carried forward	**116**	67

The age of trade receivables overdue but not impaired is as follows:

	Group	
	2015 £000	2014 £000
Not more than 3 months	**1,984**	2,767
More than 3 months but not more than 6 months	**8**	-
	1,992	2,767

All impaired receivables are overdue by more than 60 days.

Notes to the Financial Statements continued

For the year ended 31 December 2015

17 Cash and cash equivalents

	Company		Group	
	2015 £000	2014 £000	**2015 £000**	2014 £000
Short term bank deposits	**37**	4,880	**45**	9,956
Cash at bank and in hand	**1,687**	351	**14,471**	13,846
	1,724	5,231	**14,516**	23,802

18 Current liabilities

		Company		Group	
	Note	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Trade and other payables – current					
Payments received on account		**-**	-	**5,342**	2,845
Trade payables		**4**	37	**639**	484
Other taxation and social security		**48**	22	**719**	344
VAT		**-**	-	**-**	69
Deferred income		**-**	-	**830**	845
Accruals		**157**	63	**3,159**	2,196
		209	122	**10,689**	6,783
Bank borrowings	20	**-**	-	**1,000**	1,000
Other borrowings		**-**	-	**34**	9
Current tax liabilities		**-**	5	**-**	22
		209	127	**11,723**	7,814

19 Other non-current liabilities

		Group	
	Note	**2015 £000**	2014 £000
Bank borrowings	20	**6,750**	7,750
Other borrowings	20	**3**	28
		6,753	7,778
Interest rate swap		**141**	203
Deferred income tax liabilities		**2,657**	1,683
		9,551	9,664

Notes to the Financial Statements continued

For the year ended 31 December 2015

20 Called-up share capital

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

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

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

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

Reconciliation of outstanding options	**2015**		2014	
	Number	**Weighted average exercise price (pence)**	Number	Weighted average exercise price (pence)
At beginning of year	**6,084,000**	**45.5**	6,207,385	48.9
Granted during year	**414,000**	**1.0**	465,000	1.0
Exercised during year	**(3,085,058)**	**47.3**	(368,385)	44.2
Lapsed during the year	**(409,942)**	**38.9**	(220,000)	44.7
At end of year	**3,003,000**	**38.3**	6,084,000	45.5

The options outstanding at 31 December 2015 had a weighted average contractual life of 7.4 years (2014: 6.9 years).

Included within the total outstanding options at 31 December 2015 are 1,411,500 options which are exercisable (2014: 3,316,500). The weighted average exercise price of exercisable options at the end of the year was 38 pence (2014: 47 pence).

Options exercised during the year had a weighted average share price at the date of exercise of 47 pence (2014: 44 pence).

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

20 Called-up share capital (continued)

The fair values of options granted 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 conditions attached to options granted in the year are such that 50% of the options vest dependent on the Company achieving earnings per share targets and 50% are dependent on a total shareholder return performance condition. The performance conditions, which are market conditions, have been incorporated into the measurement by means of actuarial modelling. For options granted in the year, a risk free rate of 1.21% to 1.27% has been used and a dividend yield factor of 1%. The share price on the date the options were granted was 147 pence in April 2015 and 138 pence in September 2015. 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.

The total charge for the year relating to employee share based payment plans was £452,000 (2014: £431,000), all of which related to equity-settled share based payment transactions.

At 31 December 2015, options granted to subscribe for ordinary shares of the Company are as follows:

	Option exercise period		**Number of shares under option**							
Date of grant	**From (a)**	**To**	**Approved**	**Unapproved**	**Incentive**	**Performance Share Plan**	**Exercise price (pence)**	**Fair value of options (pence)**	**Life (years)**	**Volatility**
Dec 2007	Dec 2009	Dec 2017	-	73,539	-	-	45.0	28.8	10	58%
Nov 2008	Nov 2011	Nov 2018	10,000	-	-	-	17.5	9.9	10	42%
Jul 2010	Jul 2013	Jul 2020	55,000	-	26,461	-	51.0	14.0	10	35%
Oct 2011	Oct 2014	Oct 2021	102,249	152,751	-	-	80.0	32.9	10	65%
Nov 2012	Nov 2015	Nov 2022	314,902	676,598	-	-	86.0	18.6	10	40%
Sep 2013	Sep 2016	Sep 2023	-	-	-	797,500	1.0	80.8	10	25%
Mar 2014	Mar 2017	Mar 2024	-	-	-	100,000	1.0	85.3	10	21%
Sep 2014	Sep 2017	Sep 2024	-	-	-	300,000	1.0	74.8	10	18%
Apr 2015	Apr 2018	Apr 2025	-	-	-	49,000	1.0	86.7	10	16%
Sep 2015	Sep 2018	Sep 2025	-	-	-	345,000	1.0	77.0	10	16%
			482,151	**902,888**	**26,461**	**1,591,500**				

(a) Subject to earlier exercise in certain limited circumstances

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

20 Called-up share capital (continued)

At 31 December 2014, options granted to subscribe for ordinary shares of the Company are as follows:

	Option exercise period		Number of shares under option							
Date of grant	From (a)	To	Approved	Unapproved	Incentive	Performance Share Plan	Exercise price (pence)	Fair value of options (pence)	Life (years)	Volatility
Dec 2007	Dec 2009	Dec 2017	-	73,539	-	-	45.0	28.8	10	58%
Nov 2008	Nov 2011	Nov 2018	10,000	-	-	-	17.5	9.9	10	42%
Jun 2010	Jun 2013	Jun 2020	-	-	2,500,000	-	40.0	8.0	10	35%
Jul 2010	Jul 2013	Jul 2020	136,500	50,000	26,461	-	51.0	14.0	10	35%
Oct 2011	Oct 2014	Oct 2021	260,374	259,626	-	-	80.0	32.9	10	65%
Nov 2012	Nov 2015	Nov 2022	484,273	900,727	-	-	86.0	18.6	10	40%
Sep 2013	Sep 2016	Sep 2023	-	-	-	867,500	1.0	80.8	10	25%
Oct 2013	Oct 2016	Oct 2023	-	-	-	50,000	1.0	86.5	10	25%
May 2014	Mar 2017	Mar 2024	-	-	-	100,000	1.0	85.3	10	21%
Sep 2014	Sep 2017	Sep 2024	-	-	-	365,000	1.0	74.8	10	18%
			891,147	2,666,392	2,526,461	1,382,500				

(a) Subject to earlier exercise in certain limited circumstances

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

21 Borrowings

Group	Note	2015 £000	2014 £000
Non-current			
Bank borrowings	19	**6,750**	7,750
Other borrowings	19	**3**	28
		6,753	7,778
Current			
Bank borrowings	18	**1,000**	1,000
Other borrowings	18	**34**	9
		1,034	1,009
Total borrowings		**7,787**	8,787

Science Group plc had no bank borrowings at the start or end of the year.

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

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

21 Borrowings (continued)

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

	Company		Group	
	2015 £000	2014 £000	2015 £000	2014 £000
Within one year	**-**	-	**1,000**	1,000
Between 1 and 2 years	**-**	-	**1,000**	1,000
Between 2 and 5 years	**-**	-	**5,750**	6,750
	-	-	**7,750**	8,750

In order to address interest rate risk the Group has in place an interest rate swap agreement (swap), the effect of which is to fully hedge the interest payments on the bank facility borrowings. The swap is designated as the variable rate interest payable on the repayment loan facility of £10.0 million provided by Lloyds. The swap is contracted over the same period of the loan at a fixed rate of 1.89% pa, effectively fixing the Group's interest payments on the repayment loan facility at 3.89% pa, plus regulatory costs. The fair value of the swap at 31 December 2015 was a liability of £141,000 (2014: £203,000).

Other borrowings relate to finance leases of £37,000 (2014: £37,000).

22 Acquisitions

a) Acquisition of Oakland Innovation Limited

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

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

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

22 Acquisitions (continued)

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

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

A deferred tax liability of £0.6 million in respect of the acquisition related intangible assets was established on acquisition (refer to Note 10). None of the goodwill is expected to be deductible for income tax purposes.

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

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

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

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

Notes to the Financial Statements continued

For the year ended 31 December 2015

22 Acquisitions (continued)

b) Acquisition of business and assets of Leatherhead Food International Limited (continued)
The goodwill arising is attributable to the acquired workforce, anticipated future profit from expansion opportunities and synergies of the businesses. Fair value adjustments have been recognised for acquisition related intangible assets and the associated deferred tax.

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

A deferred tax liability of £0.3 million in respect of the acquisition related intangible assets was established on acquisition (refer to Note 10). None of the goodwill is expected to be deductible for income tax purposes.

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

23 Commitments

a) Lease commitments
The minimum annual rentals under non-cancellable operating leases are as follows:

	Group	
Plant and equipment lease commitments	**2015 £000**	2014 £000
Operating lease payments:		
- Within 1 year	**39**	39
- Between 1 and 5 years	**56**	84
	95	123
Property lease rentals		
Operating lease payments:		
- Within 1 year	**284**	321
- Between 1 and 5 years	**241**	599
	525	920
	620	1,043

b) Other financial commitments
At 31 December 2015 the Group and the Company had other financial commitments of £Nil (2014: £Nil).

At 31 December 2015, the Group had a 5 year loan facility of £10.0 million secured on Harston Mill, Harston, near Cambridge, UK, of which £11.0 million (2014: £10.0 million) had been drawn down and the balance at 31 December 2015 was £7.75 million (2014: £8.75 million). This facility is repayable in September 2018 as detailed in Note 21. The Company has no loan facility at 31 December 2015 (2014: £Nil).

Notes to the Financial Statements continued

For the year ended 31 December 2015

24 Contingent liabilities

At 31 December 2015, there were no contingent liabilities.

In the prior year, the Group provided a letter of credit issued by its bank on its behalf, in the ordinary course of business. The Directors were not aware of any circumstances that had given rise to a liability under the letter of credit and considered the possibility of any arising to be remote and therefore a fair value of £Nil was applied.

25 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	2015 Loans £000	2015 Sale of goods and services £000	2014 Loans £000	2014 Sale of goods and services £000
Sagentia Limited	(15,983)	105	(13,481)	240
Sagentia Inc.	(24)	24	(11)	11
OTM Consulting Limited	(430)	30	(545)	45
Quadro Design Limited	-	-	(2)	2
Manage5Nines Limited	-	-	(2)	2
Sagentia Technology Advisory Limited	(3)	-	(3)	-
Oakland Innovation Limited	(54)	54	-	-
Leatherhead Research Limited	(212)	150	-	-
	(16,706)	363	(14,044)	300

During 2015, 2,500,000 treasury shares were issued at a price of 40.0 pence per share in settlement of the exercise of share options by Martyn Ratcliffe, Chairman of Science Group. Refer to Note 20 for further information.

During the year, Science Group plc entered into transactions with Creactive (ID) Design Limited ('Creactive'). The Group acquired 30% of the share capital of Creactive on 27 January 2015. Since 27 January 2015, Creactive has provided consultancy services to Sagentia Limited (a subsidiary of Science Group plc) and a cost of £111,000 was charged to Sagentia Limited. An accrual of £12,000 was outstanding at year end. In addition to this, Sagentia Limited entered into a licence agreement with Creactive on 27 January 2015 granting Creactive a licence to occupy office space. During the year ended 31 December 2015, £6,600 was charged to Creactive in relation to this agreement. A trade receivable of £Nil was outstanding at year end.

During 2015, Science Group plc entered into transactions with Microgen plc. The Chairman of Science Group plc, Martyn Ratcliffe, was Chairman of, and equity holder, in Microgen plc during the year. An employee of Sagentia Limited (a subsidiary of Science Group plc) provided administrative services to Microgen plc during the year and a cost of £10,800 (2014: £15,000) was charged to Microgen plc. A trade receivable of £Nil was outstanding at year end (2014: £Nil).

Science Group plc also entered into a transaction with Clinitech Limited ('Clinitech' formerly Clinetik Limited). One of the Directors of Science Group plc, Michael Lacey-Solymar, is also a Director and shareholder of Clinitech. Sagentia Limited (a subsidiary of Science Group plc) entered into an agreement with Clinitech on 26 September 2014 to lease office space to Clinitech. During the year ended 31 December 2015 £5,600 (2014: £1,500) was charged to Clinitech in relation to this agreement. A trade receivable of £Nil was outstanding at year end (2014: £Nil).

Notes to the Financial Statements continued

For the year ended 31 December 2015

25 Related party transactions (continued)

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	2015 £000	2014 £000
Short term employee benefits	1,419	1,360
Pension costs	51	48
Share based payment transactions	92	116
	1,562	1,524

26 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) Project accounting
Science Group undertakes a number of consultancy projects where the final price to complete the project may be uncertain. The state of completeness of each project, and hence revenue recognised, requires the use of estimates. The value of work done is calculated based on proportion of time spent on the project or value of stage gates achieved as set out in the project. Management apply their judgement in assessing time required to complete the projects and the ability to recover the full project costs. Where significant uncertainty exists, income is deferred until costs are recovered or the project is completed.

(b) 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 Core consultancy 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.

27 Post balance sheet events

There are no post balance sheet events to disclose.

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Notes

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