

science group

28 July 2020

SCIENCE GROUP PLC

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

INTERIM RESULTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

Summary

- Strong performance, ahead of the Board’s expectations, against the background of the Covid-19 pandemic
- Group revenue growth of 56% to £36.9m (H1 2019: £23.6m), including first full half-year from Frontier Smart Technologies and organic services growth of 13%
- Adjusted operating profit increased by 50% to £4.9m (H1 2019: £3.3m)
- Successful post-acquisition restructuring and turnaround of Frontier Smart Technologies
- Group organisation evolving to maximise business synergies and scale operations
- Balance sheet and cash position remain strong providing opportunity for further corporate activity

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Interim Results 2020

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

The Group achieved record results in H1 2020, whilst also successfully managing the challenges related to the Covid-19 pandemic. For the six months ended 30 June 2020, the Group adjusted operating profit increased by 50% to £4.9 million (H1 2019: £3.3 million) on Group revenue of £36.9 million (H1 2019: £23.6 million). The 56% revenue growth included organic services revenue growth of 13% (excluding materials). Adjusted profit before tax was £4.6 million (H1 2019: £2.9 million) and adjusted basic earnings per share were 8.8 pence (H1 2019: 5.9 pence).

The first half of 2020 has benefitted from the Group's sector diversification and the greater scale resulting from the 2019 acquisition of Frontier, together with some unanticipated cost savings (for example delayed recruitment of new hires and significantly reduced travel) due to the pandemic. Within the services operating divisions, a combination of home-working and office/lab presence enabled the continuation of client projects. The very strong performance during this unprecedented event is a credit to the employees of Science Group.

The Group retains a robust balance sheet with gross cash (excluding client funds) at 30 June 2020 of £22.0 million (30 June 2019: £24.0 million) and net funds of £4.9 million (30 June 2019: £7.2 million). The long term debt is secured on the freehold properties and was increased in the period by an additional £1.5 million at an effective fixed rate of 3.0% as announced on 29 May 2020. Excluding treasury shares, at 30 June 2020, the Company had 41.6 million shares in issue (30 June 2019: 41.1 million) and held 0.4 million (30 June 2019: 0.9 million) of shares in treasury. (Alternative performance measures are provided in order to enhance shareholders' ability to evaluate and analyse the underlying financial performance of the Group. Refer to Note 1 for detail and explanation of the measures used.)

R&D Consultancy

The R&D Consultancy Division reflects the increasing convergence of the Applied Science, Product Development and Advisory business activities. This Division incorporates not only leading science and engineering capabilities but also expertise in key vertical sectors, namely: Medical; Consumer; Food & Beverage; and Industrial. The Medical sector had a particularly strong performance in the first half, including participation in the UK Government's urgent ventilator initiative.

For the six months ended 30 June 2020, the R&D Consultancy business generated services revenue of £15.3 million (H1 2019: £13.6 million). Total revenue of £18.8 million (H1 2019: £14.4 million) includes significant non-services (materials) pass-through revenue in H1 2020 related to the UK Government ventilator project.

Whilst the R&D Consultancy Division performed well in the first half of 2020, the ongoing effects of Covid-19 around the world are resulting in a cautious return of our clients to office/laboratory working environments which may delay the economic recovery in some markets, potentially impacting R&D investment programmes. The Board is carefully monitoring this economic uncertainty but has decided to increase investment in the USA sales organisation to address the reduction in international business travel which may persist for some time.

Regulatory & Compliance

The Regulatory & Compliance Division includes the North American and European operations of TSG, acquired in 2017, and the Leatherhead Food Research business, acquired in 2015. The Group's European regulatory and compliance activities have now been integrated, a natural evolution of the TSG and Leatherhead operations, with the businesses now being managed under a single Managing Director.

For the six months ended 30 June 2020, the Regulatory & Compliance Division generated revenue of £10.0 million (H1 2019: £8.7 million). This organic growth of 15% resulted from a strong performance of the TSG businesses benefitting from the increased demand for products responding to the pandemic. This momentum is anticipated to continue in the second half of the year, particularly in the USA, although the reported growth rate will reduce, reflecting a stronger prior year H2 comparator.

Frontier Smart Technologies ('Frontier')

Following the completion of the acquisition of Frontier in October 2019, a substantial accelerated restructuring programme was successfully executed, including the closure of the Romanian operations, a streamlining of product lines and the restructuring/relocation of the Cambridge and London operations. This intense programme, which produced a substantial reduction in the operating cost base, positioned Frontier to report an adjusted operating profit in the first half of 2020, despite revenue being impacted by the pandemic. For the six months ended 30 June 2020, Frontier reported revenue of £7.5 million (H1 2019: £nil) and an adjusted operating profit margin of 7% (H1 2019: nil), although the underlying adjusted operating profit margin was 9% after adding back the IFRS 3 revaluation of acquired inventory.

Importantly, whilst the market was severely affected as a result of Covid-19 by first the closure of China manufacturing operations and then retail outlets in Europe, Frontier not only reported a respectable profitability but also maintained its market share. As a result, orders for the second half of the year are anticipated to be close to pre-Covid-19 plan levels and it is anticipated that the Frontier business will continue to see the benefits of the turnaround.

Freehold Properties

Science Group owns two freehold properties, Harston Mill near Cambridge and Great Burgh in Epsom. The last independent valuation in March 2018 indicated aggregate values of these

properties in the range £22.6 million to £33.9 million. The properties are held on the balance sheet on a cost basis at £21.3 million (30 June 2019: £21.5 million). Great Burgh is owned by a property subsidiary of Science Group plc, which is the preferred structure. For legacy reasons, Harston Mill is currently owned by the trading company, Sagentia Limited, and it is the declared intention to address this anomaly. However, this action if/when effected will result in a tax payment outflow of approximately £2 million and has prudently been deferred following the Covid-19 outbreak.

For the six months ended 30 June 2020, the rental and associated services income derived from the Group's freehold properties was £2.2 million (H1 2019: £1.9 million). Income of £0.6 million (H1 2019: £0.5 million) was generated from third-party tenants and £1.6 million (H1 2019: £1.4 million) from the Group's operating businesses. Adjusted operating profit was £0.8 million (H1 2019: £0.7 million). Intra-group charges are eliminated on Group consolidation but the reported profit for each operating business includes property rental at market rates. (The prior year results of Freehold Properties have been restated, refer to Note 4 for further details).

The Group's debt of £17.1 million at 30 June 2020 (£16.8 million at 30 June 2019) is secured against the freehold property assets and the associated interest charge for the six month period was £0.4 million (H1 2019: £0.4 million). Interest on the debt is reported below operating profit in the consolidated results.

Corporate

The corporate function is responsible for Group and PLC matters, together with the strategic development of Science Group. In the period, Corporate costs were £0.9 million (H1 2019: £0.9 million).

In light of uncertainty about the future course of the pandemic and its economic consequences, the Board, did not recommend the payment of a dividend at the Annual General Meeting. The Board will consider whether or not an interim dividend is appropriate later in the year.

Summary

In summary, the performance of the Group in the first half of 2020 has been ahead of the Board's pre-Covid-19 expectations, despite the operational challenges resulting from the pandemic. The excellent first half provides a solid platform for the rest of the year.

While actively recruiting for key roles to strengthen the Group and to position the organisation in a post-Covid-19 world, the Board recognises the inherent uncertainty and lack of predictability in the months ahead and will therefore remain prudent. However, with a strong balance sheet including significant cash resources, the Board continues to cautiously explore both add-on acquisitions and larger opportunities to increase the scale of the Group.

Consolidated Income Statement
For the period ended 30 June 2020

		Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
	Note			
Revenue	4	36,895	23,593	57,247
Operating expenses before adjusting items		(31,970)	(20,303)	(50,543)
Adjusted operating profit	4	4,925	3,290	6,704
Acquisition integration costs		(127)	-	(3,571)
Gain on revaluation of investment net of professional fees		-	648	-
Loss on remeasurement of equity-accounted investee		-	-	(491)
Amortisation of acquisition related intangible assets		(1,259)	(1,003)	(2,345)
Share based payment charge		(691)	(506)	(1,167)
Gain on settlement of legal claim		-	687	687
Operating profit/(loss)	4	2,848	3,116	(183)
Finance income		5	-	22
Finance costs		(376)	(358)	(852)
Share of loss of equity-accounted investee, net of tax		-	-	(592)
Profit/(Loss) before income tax		2,477	2,758	(1,605)
Income tax charge (including R&D tax credit of £142,000 (H1-19 £216,000))	6	(465)	(325)	(226)
Profit for the period	4	2,012	2,433	(1,831)
Earnings per share				
Earnings per share from continuing operations (basic)	7	4.8p	6.1p	(4.5)p
Earnings per share from continuing operations (diluted)	7	4.6p	6.0p	(4.4)p
Adjusted earnings per share from continuing operations (basic)	7	8.8p	5.9p	11.6p
Adjusted earnings per share from continuing operations (diluted)	7	8.5p	5.8p	11.3p

Consolidated Statement of Comprehensive Income

For the period ended 30 June 2020

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Profit/(Loss) for the period attributable to:			
Equity holders of the parent	2,012	2,433	(1,669)
Non-controlling interests	-	-	(162)
Profit/(Loss) for the period	2,012	2,433	(1,831)
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Fair value (loss)/gain on interest rate swap	(536)	(375)	(408)
Exchange differences on translating foreign operations	799	13	(939)
Deferred tax on interest rate swap	101	71	77
Other comprehensive (expense)/income for the period	364	(291)	(1,270)
Total comprehensive income for the period attributable to:			
Equity holders of the parent	2,376	2,142	(2,939)
Non-controlling interests	-	-	(162)
Total comprehensive income for the period	2,376	2,142	(3,101)

Consolidated Statement of Changes in Shareholders' Equity (unaudited)

For the period ended 30 June 2020

Group	Issued capital	Share premium	Treasury Stock	Merger reserve	Translation reserve	Share based payment reserve	Retained earnings	Total – Shareholders' funds	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2019	421	8,230	(2,764)	10,343	260	3,475	20,993	40,958	-	40,958
Purchase of own shares	-	-	(94)	-	-	-	-	(94)	-	(94)
Issue of shares out of treasury stock	-	-	1,423	-	-	-	733	2,156	-	2,156
Dividends paid	-	-	-	-	-	-	(1,840)	(1,840)	-	(1,840)
Share based payment charge	-	-	-	-	-	506	-	506	-	506
Deferred tax on share based payment transactions	-	-	-	-	-	-	-	-	-	-
Transactions with owners	-	-	1,329	-	-	506	(1,107)	728	-	728
Profit for the period	-	-	-	-	-	-	2,433	2,433	-	2,433
Other comprehensive income:										
Fair value (loss) on interest rate swap	-	-	-	-	-	-	(375)	(375)	-	(375)
Exchange differences on translating foreign operations	-	-	-	-	13	-	-	13	-	13
Deferred tax on interest rate swap	-	-	-	-	-	-	71	71	-	71
Total comprehensive income for the period	-	-	-	-	13	-	2,129	2,142	-	2,142
Balance at 30 June 2019	421	8,230	(1,435)	10,343	273	3,981	22,015	43,828	-	43,828

Group	Issued capital	Share premium	Treasury Stock	Merger reserve	Translation reserve	Share based payment reserve	Retained earnings	Total – Share- holders’ funds	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 July 2019	421	8,230	(1,435)	10,343	273	3,981	22,015	43,828	-	43,828
Purchase of own shares	-	-	(109)	-	-	-	-	(109)	-	(109)
Issue of shares out of treasury stock	-	-	884	-	-	-	(624)	260	-	260
Dividends paid	-	-	-	-	-	-	-	-	-	-
Share based payment charge	-	-	-	-	-	661	-	661	-	661
Deferred tax on share based payment transactions	-	-	-	-	-	-	(25)	(25)	-	(25)
Total contributions and distributions	-	-	775	-	-	661	(649)	787	-	787
Changes in ownership interests										
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	-	2,763	2,763
Acquisition of NCI without change in control	-	-	-	-	-	-	(3,265)	(3,265)	(2,601)	(5,866)
Total changes in ownership interests	-	-	-	-	-	-	(3,265)	(3,265)	162	(3,103)
Total transactions with owners	-	-	775	-	-	661	(3,914)	(2,478)	162	(2,316)
Loss for the period	-	-	-	-	-	-	(4,102)	(4,102)	(162)	(4,264)
Other comprehensive income:										
Fair value (loss) on interest rate swap	-	-	-	-	-	-	(33)	(33)	-	(33)
Exchange differences on translating foreign operations	-	-	-	-	(952)	-	-	(952)	-	(962)
Deferred tax on interest rate swap	-	-	-	-	-	-	6	6	-	6
Total comprehensive income for the period	-	-	-	-	(952)	-	(4,129)	(5,081)	(162)	(5,243)
Balance at 31 December 2019	421	8,230	(660)	10,343	(679)	4,642	13,972	36,269	-	36,269

Group	Issued capital premium	Share premium	Treasury Stock	Merger reserve	Translation reserve	Share based payment reserve	Retained earnings	Total – Share- holders’ funds	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2020	421	8,230	(660)	10,343	(679)	4,642	13,972	36,269	-	36,269
Purchase of own shares	-	-	(166)	-	-	-	-	(166)	-	(166)
Share based payment charge	-	-	-	-	-	691	-	691	-	691
Deferred tax on share based payment transactions	-	-	-	-	-	-	(63)	(63)	-	(63)
Transactions with owners	-	-	(166)	-	-	691	(63)	462	-	462
Profit for the period							2,012	2,012	-	2,012
Other comprehensive income:										
Fair value (loss) on interest rate swap	-	-	-	-	-	-	(536)	(536)	-	(536)
Exchange differences on translating foreign operations	-	-	-	-	799	-	-	799	-	799
Deferred tax on interest rate swap	-	-	-	-	-	-	101	101	-	101
Total comprehensive income for the period	-	-	-	-	799	-	1,577	2,376	-	2,376
Balance at 30 June 2020	421	8,230	(826)	10,343	120	5,333	15,486	39,107	-	39,107

Consolidated Balance Sheet

At 30 June 2020

	At 30 June 2020 (Unaudited) £000	At 30 June 2019 (Unaudited) £000	At 31 December 2019 (Audited) £000
Assets			
Non-current assets			
Acquisition related intangible assets	12,512	6,492	13,222
Goodwill	13,998	11,239	13,808
Property, plant and equipment	24,766	25,955	25,870
Investment	-	3,741	-
Deferred tax assets	51	168	47
	51,327	47,595	52,947
Current assets			
Inventories	1,781	-	2,060
Trade and other receivables	9,450	8,527	10,239
Current tax asset	264	20	482
Cash and cash equivalents - Client funds	8 4,121	1,430	1,517
Cash and cash equivalents - Group Cash	8 22,001	23,979	13,912
	37,617	33,956	28,210
Total assets	88,944	81,551	81,157
Liabilities			
Current liabilities			
Trade and other payables	23,862	14,601	20,581
Current tax liabilities	577	460	226
Provisions	9 669	201	172
Borrowings	10 1,200	1,200	1,200
Lease liabilities	11 1,423	807	1,212
	27,731	17,269	23,391
Non-current liabilities			
Provisions	9 506	196	480
Borrowings	10 15,908	15,604	15,013
Lease Liabilities	11 1,736	1,998	2,111
Derivative financial liabilities	651	82	115
Deferred tax liabilities	3,305	2,574	3,778
	22,106	20,454	21,497
Total liabilities	49,837	37,723	44,888
Net assets	39,107	43,828	36,269
Shareholders' equity			
Share capital	421	421	421
Share premium	8,230	8,230	8,230
Treasury stock	(826)	(1,435)	(660)
Merger reserve	10,343	10,343	10,343
Translation reserves	120	273	(679)
Share based payment reserve	5,333	3,981	4,642
Retained earnings	15,486	22,015	13,972
Total equity	39,107	43,828	36,269

Consolidated Statement of Cash Flows

For the period ended 30 June 2020

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Profit/(Loss) before income tax	2,477	2,758	(1,605)
Adjustments for:			
Share of loss of equity-accounted investee, net of tax	-	-	592
Loss on remeasurement of equity-accounted investee	-	-	491
Amortisation on acquisition related intangible assets	1,259	1,003	2,345
Depreciation on property, plant and equipment	580	349	776
Impairment of right of use asset	540	-	796
Depreciation of right of use asset	548	396	1,033
Net interest cost	376	358	830
Gain on revaluation of investment	-	(954)	-
Share based payment charge	691	506	1,167
Decrease in inventories	279	-	1,863
Decrease in receivables	825	1,198	3,432
Increase/(decrease) in payables representing client funds	2,604	(57)	(30)
Increase/(decrease) in payables excluding balances representing client funds	366	(2,887)	(3,846)
Change in provisions	510	(768)	(933)
Cash generated from operations	11,055	1,902	6,911
Loan interest paid	(300)	(303)	(781)
UK corporation tax paid	(292)	(64)	(554)
Foreign corporation tax paid	(24)	(92)	(196)
Cash flows from operating activities	10,439	1,443	5,380
Interest received	5	-	22
Purchase of property, plant and equipment	(38)	(208)	(555)
Purchase of investments	-	(2,787)	(4,118)
Cash flow used in investing activities	(33)	(2,995)	(4,651)
Issue of shares out of treasury	-	2,156	2,416
Repurchase of own shares	(166)	(95)	(203)
Dividends paid	-	(1,840)	(1,840)
Acquisition of NCI	-	-	(5,869)
Proceeds from bank loans	1,500	4,750	4,750
Repayment of bank loans	(600)	(600)	(1,200)
Repayment of revolving credit facility	-	-	(5,000)
Payment of lease liabilities	(742)	(390)	(998)
Cash flows used in financing activities	(8)	3,981	(7,944)
Increase/(decrease) in cash and cash equivalents in the period	10,398	2,429	(7,215)
Cash and cash equivalents at the beginning of the period	15,429	23,007	23,007
Exchange gains/(losses) on cash	295	(27)	(363)
Cash and cash equivalents at the end of the period	26,122	25,409	15,429

Cash and cash equivalents is analysed as follows:

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Cash and cash equivalents – Client funds	4,121	1,430	1,517
Cash and cash equivalents – Group cash	22,001	23,979	13,912
	26,122	25,409	15,429

Extracts from notes to the financial statements

1. General information

The financial information for the 6 months ended 30 June 2020 set out in this interim report is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information included for the year ended 31 December 2019 has been extracted from the 2019 Financial Statements of Science Group plc. The Group's statutory financial statements for the year ended 31 December 2019 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

These unaudited interim results have been approved for issue by the Board of Directors on 27 July 2020.

The group and company financial statements of Science Group plc for the year ended 31 December 2019 were prepared under IFRS (as adopted by the EU) and have been audited by KPMG LLP. Copies of the Financial Statements are available from the company's registered office: Harston Mill, Harston, Cambridge, CB22 7GG and can be found on the company's website at www.sciencegroup.com.

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

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

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

Alternative performance measures

The Group uses alternative (non-Generally Accepted Accounting Practice ('non-GAAP')) performance measures of 'adjusted operating profit', 'adjusted earnings per share' and 'net funds' which are not defined within the International Financial Reporting Standards ('IFRS'). These are explained in the 2019 Financial Statements and the calculations are as follows:

(a) Adjusted operating profit

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

(b) Adjusted earnings per share

The calculation of this measure is disclosed in Note 7.

(c) Net funds

This measure is calculated as follows:

In £000 unless otherwise stated	At 30 June 2020	At 30 June 2019	At 31 December 2019
Cash and cash equivalents – Group cash	22,001	23,979	13,912
Borrowings	(17,108)	(16,804)	(16,213)
Net funds	4,893	7,175	(2,301)

2. Accounting policies

The principal accounting policies applied in the preparation of these interim financial statements are unchanged from those set out in the financial statements for the year ended 31 December 2019. These policies have been consistently applied to all the periods presented.

2.1 Basis of preparation

These interim consolidated financial statements are for the six months ended 30 June 2020. They have been prepared based on the measurement and recognition principles of International Financial Reporting Standards as adopted by the EU and IFRC interpretations issued and effective at the time of preparing these statements.

The financial statements have been prepared on the historical cost basis except for certain financial instruments and share based payments which are measured at fair value.

Going concern – the Directors have considered the current cash balance of £22.0m (excluding client funds) and assessed forecast future cash flows for the next 12 months. There are no events or conditions which cast significant doubt on the ability of the Group to continue as a going concern. The term loan has no operating covenants while the Group net bank debt is less than £10 million. On the basis of the forecast future cash flows, the Directors do not expect the Group net bank debt to exceed £10 million at any time during the forecast period. The Directors are satisfied that the Group has adequate cash and financing resources to continue in operational existence for the foreseeable future, being a period of at least a year following the release of these unaudited interim results and therefore continue to adopt the going concern basis of accounting in preparing the interim financial statements.

3. Financial risk management

3.1 Financial risk factors

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

4. Segmental information

The Group is structured into 4 reporting Segments: Services Operating Business, Product Operating Business, Freehold Properties and Corporate. The Services Operating Business comprises two operating divisions: R&D Consultancy and Regulatory & Compliance. Frontier Smart Technologies, the third operating division, is the Product Operating Business. The performance of the Operating Businesses are shown separately from the value generated by the Group's significant freehold property assets and the Corporate costs to provide greater transparency and facilitate shareholder analysis of the component parts of the Group.

Financial information is provided to the chief operating decision makers ('CODMs') in line with this structure. The divisions of R&D Consultancy and Regulatory & Compliance have been aggregated resulting in one Services Operating Business segment because the divisions have similar economic characteristics such as similar long-term average gross margins, trends in sales growth and operating cash flows and are also similar in respect of their nature, delivery and types of customers that the services are provided to. This aggregation does not impact the user's ability to understand the entity's performance, its prospects for future cash flows or the user's decisions about the entity as a whole as it is a fair representation of the performance of each division.

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

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

Services Operating Business	Six months ended	Six months ended	Year ended
	30 June 2020	30 June 2019	31 December 2019
	(Unaudited)	Restated	(Audited)
	£000	£000	£000
Services revenue	25,268	22,302	46,885
Other	3,506	785	1,825
Revenue	28,774	23,087	48,710
Adjusted operating profit	4,520	3,485	8,221
Amortisation of acquisition related intangible assets	(757)	(1,003)	(2,006)
Share based payment charge	(569)	(453)	(1,008)
Gain on settlement of legal claim	-	687	687
Operating profit	3,194	2,716	5,894

Product Operating Business	Six months ended	Six months ended	Year ended
	30 June 2020	30 June 2019	31 December 2019
	(Unaudited)	(Unaudited)	(Audited)
	£000	£000	£000
Product revenue	7,541	-	7,540
Revenue	7,541	-	7,540
Adjusted operating profit/(loss)	495	-	(1,283)
Acquisition and integration costs	(127)	-	(3,571)
Loss on remeasurement of equity-accounted investee	-	-	(491)
Amortisation of acquisition related intangible assets	(502)	-	(339)
Share based payment charge	(77)	-	(12)
Operating loss	(211)	-	(5,696)

Freehold Properties	Six months ended	Six months ended	Year ended
	30 June 2020	30 June 2019	31 December 2019
	(Unaudited)	Restated	(Audited)
	£000	£000	£000
Inter-company property income	1,573	1,436	2,874
Third party property income	580	506	997
Revenue	2,153	1,942	3,871
Adjusted operating profit	794	732	1,503
Share based payment charge	(7)	(8)	(14)
Operating profit	787	724	1,489

Corporate	Six months ended 30 June 2020	Six months ended 30 June 2019 Restated	Year ended 31 December 2019
	(Unaudited) £000	(Unaudited) £000	(Audited) £000
Adjusted operating loss	(884)	(927)	(1,737)
Gain on revaluation of investment net of professional fees	-	648	-
Share based payment charge	(38)	(45)	(133)
Operating loss	(922)	(324)	(1,870)

Group	Six months ended 30 June 2020 Total (Unaudited) £000	Six months ended 30 June 2020 Organic (Unaudited) £000	Six months ended 30 June 2020 Acquired (Unaudited) £000	Six months ended 30 June 2019 Total (Unaudited) £000	Year ended 31 December 2019 Total (Audited) £000
Services revenue	25,268	25,268	-	22,302	46,885
Product revenue	7,541	-	7,541	-	7,540
Third party property income	580	580	-	506	997
Other	3,506	3,506	-	785	1,825
Revenue	36,895	29,354	7,541	23,593	57,247
Adjusted operating profit	4,925	4,430	495	3,290	6,704
Acquisition and integration costs	(127)	-	(127)	-	(3,571)
Gain on revaluation of investment net of professional fees	-	-	-	648	-
Loss on remeasurement of equity-accounted investee	-	-	-	-	(491)
Amortisation of acquisition related intangible assets	(1,259)	(757)	(502)	(1,003)	(2,345)
Share based payment charge	(691)	(614)	(77)	(506)	(1,167)
Gain on settlement of legal claim	-	-	-	687	687
Operating profit/(loss)	2,848	3,059	(211)	3,116	(183)
Finance charges (net)	(371)	(371)	-	(358)	(830)
Share of loss of equity-accounted investment, net of tax	-	-	-	-	(592)
Profit/(loss) before income tax	2,477	2,688	(211)	2,758	(1,605)
Income tax (charge)/credit	(465)	(560)	95	(325)	(226)
Profit/(loss) for the period	2,012	2,128	(116)	2,433	(1,831)

In the Freehold Properties segment, income includes £1.6 million (H1 2019: £1.4 million) generated from inter-segment recharges. The corresponding cost is included within the Operating Business segments and is eliminated on consolidation.

Restatement of segmental reporting comparatives

Results for H1 2019 have been restated. This follows a review subsequent to H1 2019 on the methodology and calculation of the charge of property costs to the Operating Business segments. There is no change to revenue or operating profit at the consolidated level.

5. Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

Disaggregation of revenue

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

For the 6 months ended 30 June (Unaudited)

Currency	USD £000	EUR £000	GBP £000	Other £000	Total £000
2020	17,316	1,669	17,844	66	36,895
2019	8,677	1,821	13,016	79	23,593

Geographical market	North America £000	Europe (excl UK) £000	UK £000	Asia £000	Other £000	Total £000
2020	11,215	6,752	10,475	8,188	265	36,895
2019	9,943	6,473	6,224	219	734	23,593

6. Income tax

The income tax charge for the period ended 30 June 2020 is charged at the effective tax rate calculated for the period using reasonable estimates and incorporating both current and deferred taxation:

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Profit/(Loss) before tax	2,477	2,758	(1,605)
Current taxation	(1,114)	(596)	(1,280)
Current taxation – adjustment in respect of prior years	-	(84)	311
Deferred taxation	507	139	579
Deferred taxation – adjustment in respect of prior years	-	-	(242)
R&D tax credit	142	216	406
Tax charge	(465)	(325)	(226)
Effective tax rate	18.8%	11.8%	14.1%

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

7. Earnings per share

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

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Profit/(loss) for the financial period	2,012	2,433	(1,831)
Weighted average number of shares:			
For basic earnings per share	41,681,034	40,206,807	40,767,070
For fully diluted earnings per share	43,314,594	40,835,968	42,024,977
Earnings per share:			
	Pence	Pence	Pence
Basic earnings per share	4.8	6.1	(4.5)
Fully diluted earnings per share	4.6	6.0	(4.4)

The calculation of adjusted earnings per share is as follows:

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Adjusted* profit after tax for the period	3,671	2,363	4,735
Weighted average number of shares:			
For basic earnings per share	41,681,034	40,206,807	40,767,070
For fully diluted earnings per share	43,314,594	40,835,968	42,024,977
Adjusted earnings per share:			
	Pence	Pence	Pence
Basic earnings per share	8.8	5.9	11.6
Fully diluted earnings per share	8.5	5.8	11.3

*Calculation of adjusted profit after tax:

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Adjusted operating profit	4,925	3,290	6,704
Finance income	5	-	22
Finance costs	(376)	(358)	(852)
Adjusted profit before tax	4,554	2,932	5,874
Tax charge at approx blended average tax rate of 19.4% (H1-19: 19.4%)	(883)	(569)	(1,139)
Adjusted profit after tax	3,671	2,363	4,735

8. Cash and cash equivalents

	Six months ended 30 June 2020 (Unaudited) £000	Six months ended 30 June 2019 (Unaudited) £000	Year ended 31 December 2019 (Audited) £000
Cash and cash equivalents – Client funds	4,121	1,430	1,517
Cash and cash equivalents – Group cash	22,001	23,979	13,912
	26,122	25,409	15,429

The Group receives cash from clients for the purpose of payment of registration fees to regulatory bodies and other project pass through costs. Client funds are separated in the day to day operations of the business, are separately identified for reporting purposes and are unrestricted.

9. Provisions

(Unaudited)	Onerous lease £000	Dilapid- ations £000	Restruct- -uring £000	Legal £000	Total £000
At 1 January 2019	225	262	142	705	1,334
Increase in provision	-	13	-	-	13
Utilisation of provision	(126)	-	(20)	(5)	(151)
Release of provision	(94)	-	-	(687)	(781)
Loss/(Gain) on foreign currency fluctuations	(5)	1	(1)	(13)	(18)
At 30 June 2019	-	276	121	-	397
Assumed on business combination	-	300	-	-	300
Increase in provision	-	18	-	-	18
Utilisation of provision	-	-	(31)	-	(31)
Loss/(Gain) on foreign currency fluctuations	-	(32)	-	-	(32)
At 31 December 2019	-	562	90	-	652
Increase in provision	-	13	-	562	575
Utilisation of provision	-	(26)	-	(59)	(85)
Release of provision	-	-	-	-	-
Loss/(Gain) on foreign currency fluctuations	-	31	-	2	33
At 30 June 2020	-	580	90	505	1,175

	At 30 June 2020 (Unaudited) £000	At 30 June 2019 (Unaudited) £000	At 31 December 2019 (Audited) £000
Current liabilities	669	201	172
Non-current liabilities	506	196	480
	1,175	397	652

Legal provisions represent the best estimate of the future cost of responding to US subpoenas relating to litigation and investigations directed at third parties. The restructuring provision relates to the costs associated with the closure of the Central/Eastern Europe offices.

10. Borrowings

	At 30 June 2020 (Unaudited) £000	At 30 June 2019 (Unaudited) £000	At 31 December 2019 (Audited) £000
Non-current bank borrowings	15,908	15,604	15,013
Current bank borrowings	1,200	1,200	1,200
	17,108	16,804	16,213

The Group has increased the 10-year fixed term loan by £1.5 million on otherwise similar terms.

An additional interest rate swap has been taken to fix the interest rate of the incremental debt at an effective rate of 3.0%. The rates fixed via similar swap instruments of 3.5% for the original loan in 2016, and 4.0% for the first extension of the loan in 2019, remain in place. Consequently, the resulting effective interest rate for the term loan is 3.5%.

11. Lease liabilities

	At 30 June 2020 (Unaudited) £000	At 30 June 2019 (Unaudited) £000	At 31 December 2019 (Audited) £000
Non-current lease liabilities	1,736	1,998	2,111
Current lease liabilities	1,423	807	1,212
	3,159	2,805	3,323

Lease liabilities arise on leased properties held by the Group. The leases have remaining periods of between 1 and 4 years from the balance sheet date.

12. Subsequent events

There have been no subsequent events to report.

13. Critical accounting estimates and judgements

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

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

- Ends -