

science group plc

21 March 2023

SCIENCE GROUP PLC
AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Science Group plc (the ‘Company’) together with its subsidiaries (‘Science Group’ or the ‘Group’) reports its audited results for the year ended 31 December 2022.

Summary

Science Group reports another resilient performance, ahead of the Board’s expectations, despite the deterioration in the global economy. The acquisition of TP Group plc (“TPG”), completed in January 2023, significantly increases the scale of Science Group and provides a strategic entry into the defence sector. The Group’s robust balance sheet, including substantial cash resources, provides both a solid foundation for the existing operations and the potential to pursue further growth opportunities should they arise.

- Group revenue increased to £86.3 million (2021: £81.2 million)
- Adjusted* operating profit increased to £17.6 million (2021: £16.3 million)
- Adjusted* basic earnings per share increased to 29.4 pence (2021: 28.5 pence)
- Dividend maintained at 5.0p (2021: 5.0p)
- Year-end cash of £43.6 million and net funds of £29.5 million (2021: £34.3 million and £19.0 million, respectively) with undrawn credit facility of £25.0 million
- Acquisition of TP Group plc completed post year-end, funded from organic operating cash flow

Science Group plc

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

Statement of Executive Chair

Science Group is an international science, engineering and technology ('SET') business. The Group provides SET services to the medical, defence, industrial, and consumer sectors, supplemented by a products division where the Group holds leading market positions in related technology sectors. The Group also has significant freehold property assets which host the business operations.

In 2022, Science Group again demonstrated its resilience and delivered another solid performance, despite the deterioration in the global economy. While all businesses performed creditably, those servicing the consumer sector were most impacted by the economic slowdown. The acquisition of TP Group plc ("TPG"), completed in January 2023 and funded through Science Group's organic operating cash flow, significantly increases the scale of the Group and provides a strategic entry into the defence sector.

Financial Summary

For the year ended 31 December 2022, Science Group reported revenue of £86.3 million (2021: £81.2 million). Group adjusted operating profit was £17.6 million (2021: £16.3 million). Adjusted basic earnings per share was 29.4 pence (2021: 28.5 pence).

Amortisation of acquisition related intangibles, acquisition advisor fees and integration costs, together with the share-based payment charge totalled £6.5 million (2021: £3.6 million) and the Group's share of the estimated profit in TPG was £0.6 million (2021: £1.1 million loss). As a result, the Group reported operating profit of £11.7 million for the year (2021: £11.6 million) and, after net finance costs of £0.6 million (2021: £0.7 million), profit before tax of £11.1 million (2021: £10.9 million), with basic earnings per share of 23.2 pence (2021: 22.4 pence).

The past year saw substantial volatility in Sterling exchange rates, particularly during the period of UK political instability in the late summer. With a significant proportion of income generated in US Dollars, the Group benefitted from such dynamics offsetting the significant increase in energy prices and other cost inflation.

Science Group continues to deliver strong cash conversion and retains a robust balance sheet. At 31 December 2022, Group cash was £43.6 million (2021: £34.3 million) and net funds were £29.5 million (2021: £19.0 million). The Group's term loan, which expires in 2026, was £14.2 million (2021: £15.4 million). In addition to the term loan, in December 2021, a £25 million Revolving Credit Facility ("RCF") was arranged. As a result, the Group has significant existing cash resources and available facilities to continue its strategy, such that at 28 February 2023, following the completion of the TPG acquisition, Group cash was £33.4 million and net funds were £19.3 million and the RCF remained undrawn.

R&D Consultancy

The R&D Consultancy business provides science-led advisory and product/technology development services. The division combines science and engineering capabilities with expertise in key vertical sectors, namely: Medical; Consumer; Food & Beverage; and Industrial, Chemicals & Energy ('ICE').

For the year ended 31 December 2022, the R&D Consultancy division generated revenue of £38.7 million (2021: £34.3 million). A significant proportion of revenue in the R&D Consultancy business is invoiced in US dollars but the cost base is predominantly in Sterling. As a result, the business benefitted from the favourable US Dollar: Sterling rate during 2022. In view of the currency volatility, a hedging instrument to cap the rate at US\$1.20:£1 for \$1.25 million per month was taken out to the end of 2023. There is no obligation to sell at this rate and the instrument is designed to protect against the strengthening of Sterling or weakening of the US Dollar.

Regulatory & Compliance

The Regulatory & Compliance business provides scientific and regulatory advice together with registration and compliance services for the Chemicals, Consumer, Food & Beverage and Medical sectors. The division comprises the European and North American operations of TSG Consulting, together with Leatherhead Food Research.

For the year ended 31 December 2022, the Regulatory & Compliance division generated revenue of £22.0 million (2021: £21.4 million). Of this revenue around 27% is of a recurring nature, primarily within the Food & Beverage sector and the North American registration renewals activities. While the North American business had a tough comparator, having benefitted from increased regulatory applications being sought during the pandemic, the European business made progress, signing strategic contracts with global agri-chemicals businesses, providing an improved platform for the year ahead.

Frontier Smart Technologies

Frontier Smart Technologies ('Frontier') is the market leader in DAB/DAB+/SmartRadio and connected audio technology chips and modules.

The Frontier business reported revenue of £25.0 million (2021: £24.9 million) and an adjusted operating profit margin of 15% (2021: 21%). The business started the year supply-constrained, however, as the global economic environment deteriorated, demand for consumer electronics reduced significantly in the second half of the year. Independent market data showed a decline of 16% in Q3 2022, directly impacting the Frontier business. In view of the current economic environment, it is not anticipated that demand for consumer electronics will recover until H2 2023.

Freehold Properties

Science Group owns two freehold properties, Harston Mill near Cambridge and Great Burgh in Epsom, which host the Group's operations. The last independent valuation in March 2021 indicated an aggregate value of these properties in the range of £21.0 million to £35.0 million. The properties are held on the balance sheet on a cost basis at £20.8 million (2021: £21.0 million).

The Group charges market rents to the operating businesses and lets out part of the Harston site to third parties. For the year ended 31 December 2022, the rental and associated services income derived from this activity was £4.1 million (2021: £3.6 million), of which £0.7 million (2021: £0.6 million) was generated from third party tenants. Intra-group rental charges are eliminated on Group consolidation.

Acquisition of TP Group plc

Science Group acquired a strategic shareholding in TPG in 2021, resulting in the appointment of two directors onto the TPG Board, as Executive Chairman and Chair of Audit Committee. Following the renegotiation of onerous contracts (which came to light after the strategic investment was made) and the disposal of non-core operations, Science Group completed the acquisition of TPG on 26 January 2023. The acquisition was effected by a court-approved Scheme of Arrangement. Including the share purchases in 2021, the professional fees incurred and restructuring costs, the aggregate investment in TPG is approximately £30 million. In 2022, TPG was accounted for as an associate and the Group results include £0.6 million being the estimated share of TPG profit related to the Science Group shareholding during the year.

TPG is a UK-based Defence and Aerospace business comprising TPG Services (including Osprey), which is a specialist consultancy providing technical expertise, and TPG Maritime, which is in the process of being rebranded, and is a leading provider of atmosphere-management systems for submarines. The non-core businesses of Sapienza and Northstar were disposed of in the course of 2022 and the disposal of Westek was completed in February 2023. As a result of the TPG acquisition, approximately 290 employees joined Science Group.

Corporate

The corporate function is responsible for the strategic development of Science Group. Corporate costs were £3.2 million (2021: £4.4 million). This includes the TPG acquisition-related costs (legal and advisory) but is offset by the share of the TPG profit resulting from its being accounted for as an associate, which is reported as corporate in segmental reporting.

During the year, the Company repurchased 323,453 shares at a total cost of £1.3 million, equivalent to an average price of 408 pence per share (2021: £0.6 million). At 31 December 2022, shares in issue (excluding treasury shares held of 0.7 million) were 45.4 million (2021: 45.7 million excluding treasury shares held of 0.5 million). The Board is recommending maintaining the dividend at 5.0 pence per share (2021: 5.0 pence per share). Subject to shareholder approval at the Annual General Meeting ('AGM'), the dividend will be payable on 16 June 2023 to shareholders on the register at the close of business on 19 May 2023.

Summary and Outlook

In summary, Science Group has reported another solid performance in 2022. This resilience has been achieved against the backdrop of geopolitical instability, substantial energy (and other) cost increases and an economic downturn. Whilst inflationary pressures appear to be easing, the economic environment remains unpredictable, compounded by the recent instability in the banking sector undermining market confidence in a near-term recovery. Such a climate inevitably produces uncertainty. The Board anticipates this fragile environment to continue through the first half of 2023 and is therefore cautious in its outlook and prudent in its decision-making.

The acquisition of TPG, funded through Science Group's organic operating cash flow, adds significant scale to the Group and provides a strategic entry into the defence sector, a market anticipated to be less affected by short-term economic volatility. The integration of TPG is proceeding rapidly, benefitting from the period of active management of the strategic investment prior to the acquisition.

The Group's strong balance sheet, with significant cash resources, unused debt facilities and freehold property assets, provides a robust foundation for the enlarged Group while also enabling the Board to pursue further corporate opportunities should they arise.

Martyn Ratcliffe
Executive Chair

Finance Director's Report

Overview of Results

In the year ended 31 December 2022, the Group generated revenue of £86.3 million (2021: £81.2 million). Revenue from the services operating businesses, that is revenue derived from consultancy services and materials recharged on these projects, increased to £60.7 million (2021: £55.7 million) while product revenue generated by Frontier was £25.0 million (2021: £24.9 million). Revenue generated by freehold properties, comprising property and associated services income derived from space let to third parties in the Harston Mill facility, was £0.7 million (2021: £0.6 million).

Adjusted operating profit for the Group increased to £17.6 million (2021: £16.3 million). The Group's statutory operating profit of £11.7 million (2021: £11.6 million) includes the amortisation of acquisition related intangible assets (£3.8 million), share-based payment charges (£1.6 million), a share of the estimated profit of associate investment, TP Group plc, of £0.6 million, and associated acquisition costs of TP Group plc of £1.1 million. The statutory profit before tax was £11.1 million (2021: £10.9 million). After net finance costs of £0.6 million (2021: £0.7 million) and a tax charge of £0.5 million (2021: £1.4 million), statutory profit after tax was £10.6 million (2021: £9.6 million). Statutory basic earnings per share ('EPS') was 23.2 pence (2021: 22.4 pence).

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

TP Group plc

The Group made further on-market purchases of shares in TP Group plc ('TPG') during 2022, increasing its holding from 28.0% to 29.2% at 31 December 2021. Throughout 2022, the Group accounted for its shareholding in TPG as an associate under the equity accounting method. On 31 October 2022, the Group made an offer to acquire the remainder of TPG shares at a price of 2.25 pence per share, to be effected through a court-approved Scheme of Arrangement. This acquisition completed subsequent to the year end, on 26 January 2023, at which point TPG became a wholly owned subsidiary of the Group.

TPG has not released its results for the period ended 31 December 2022. A share of associate profit after tax of £0.6 million has been included within the Science Group Income Statement, which is an estimate based on expected final TPG financial statements for the year ended 31 December 2022, proportionate to the Group's associate shareholding.

In December 2021, the Group made available a standby revolving credit facility to TPG. The facility is for a maximum of £5.0 million for the period from the date of signing until 30 September 2023. The facility, which incurs an interest rate of 1% per month on sums drawn or 0.4% per month on undrawn amounts, was used for short periods in 2022 to provide liquidity to TPG however was undrawn at 31 December 2022.

Foreign Exchange

A considerable proportion of the Group's revenue is denominated in currencies other than Sterling. Changes in exchange rates can have a significant influence on the Group's financial performance. In 2022, £54.7 million of the Group's operating business revenue was denominated in US Dollars (2021: £50.2 million), including all of Frontier's revenue. In addition, £2.7 million of the Group operating business revenue was denominated in Euros (2021: £3.1 million). The average exchange rates during 2022 were US\$1.24/£1 and €1.18/£1 (2021: US\$1.37/£1 and €1.16/£1).

During 2022, in order to provide greater forward visibility around foreign exchange, the Group acquired a currency exchange instrument to cap the US Dollar: Sterling rate in relation to the R&D Consultancy division through to the end of 2023. Initially the US Dollar: Sterling cap was set at \$1.30/£1, but in October 2023 the Group took advantage of the low exchange rates to improve the cap to \$1.20/£1. The instrument, which applies to US\$1.25 million per month, still enables the business to benefit from lower exchange rates, should such rates apply.

Taxation

The tax charge for the year was £0.5 million (2021: £1.4 million). The underlying tax charge on the profits generated by the operating businesses has been partially offset through brought forward Frontier losses and a Research and Development tax credit of £0.5 million (2021: £0.3 million). Science Group recognises R&D tax credits within tax reporting, not as a credit against operating costs.

At 31 December 2022, Science Group had £26.7 million (2021: £27.8 million) of tax losses of which £17.1 million (2021: £17.6 million) related to trading losses in Frontier. Of the Frontier losses, £8.7 million (2021: £10.0 million) is recognised as a deferred tax asset which is anticipated to be used to offset future taxable profits. The balance of £8.4 million (2021: £7.6 million) has not been recognised as a deferred tax asset due to the uncertainty in the timing or feasibility of utilisation of these losses. Aside from Frontier, the Group has other tax losses of £9.6 million (2021: £10.2 million) unrecognised as a deferred tax asset due to the low probability that these losses will be utilised.

Financing and Cash

Cash flow from operating activities (excluding Client Registration Funds) was £15.3 million (2021: £13.2 million). As there was minimal movement on the Client Registration Funds in the year, reported cash from operating activities in accordance with IFRS was also £15.3 million (2021: £14.0 million). The alternative performance measure, by excluding Client Registration Funds, reflects the Group's available cash position and cash flow.

The Group repatriates cash from overseas accounts on at least a weekly basis and policy is to spread Group cash held across UK Tier 1 banks.

The Group's term loan with Lloyds Bank plc, secured on the Group's freehold properties, is a 10-year fixed term loan expiring in 2026. Phased interest rate swaps hedge the loan resulting in a fixed effective interest rate of 3.5%, comprising a margin over the Sterling Overnight Index Average ('SONIA'), the cost of the loan arrangement fee and the cost of the swap instruments. The Group has adopted hedge accounting for the interest rate swaps related to the bank loan under IFRS 9 Financial Instruments, and the gain on change in fair value of the interest rate swaps was £1,287,000 (2021: gain of £763,000) which was recognised in Other Comprehensive Income.

In December 2021, in addition to the term loan, the Group signed a revolving credit facility ('RCF') with Lloyds Bank plc in order to provide additional capital resources to enable the execution of the Group's acquisition strategy. The RCF is for up to £25.0 million, with an additional £5.0 million accordion option, for a term of four years with a possible one year extension. The margin on drawn sums is 3.3% per annum over SONIA and is 1.1% per annum on undrawn amounts. Drawn amounts are secured on the Group's assets by debentures. At 31 December 2022, the RCF remained undrawn.

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

The Group cash balance (excluding Client Registration Funds) at 31 December 2022 was £43.6 million (2021: £34.3 million) and net funds were £29.5 million (2021: £19.0 million). Client Registration Funds of £2.9 million (2021: £2.9 million) were held at the year end. Working capital management during the year continued to be a focus with debtor days of 43 days at 31 December 2022 (2021: 31 days). A higher level of inventory was held at the year end to mitigate uncertainty in forward supply, resulting in inventory days increasing to 197 days at 31 December 2022 (2021: 76 days).

Share Capital

At 31 December 2022, the Company had 45,436,823 ordinary shares in issue (2021: 45,720,276) and the Company held an additional 749,051 shares in treasury (2021: 465,598). Of the ordinary shares in issue, 34,800 shares (2021: 104,400) are held by the Frontier Employee Benefit Trust. The total number of voting rights in the Company at 31 December 2022 was 45,402,023 (2021: 45,615,876). In this report, all references to measures relative to the number of shares in issue exclude shares held in treasury unless explicitly stated to the contrary.

Jon Brett

Finance Director

Consolidated Income Statement
For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	2	86,301	81,216
Direct operating expenses		(47,947)	(45,858)
Sales and marketing expenses		(9,754)	(8,824)
Administrative expenses		(17,504)	(13,892)
Share of profit/(loss) of equity accounted investment		602	(1,061)
Adjusted operating profit	2	17,602	16,260
Acquisition integration costs		(1,128)	-
Amortisation of acquisition related intangible assets	7	(3,766)	(2,891)
Share-based payment charge		(1,612)	(727)
Share of profit/(loss) of equity accounted investment		602	(1,061)
Operating profit		11,698	11,581
Finance income		375	19
Finance costs		(977)	(673)
Profit before tax		11,096	10,927
Tax charge (net of R&D tax credit of £530,000 (2021: £324,000))	3	(541)	(1,366)
Profit for the year		10,555	9,561
Earnings per share			
Earnings per share (basic)	5	23.2p	22.4p
Earnings per share (diluted)	5	22.6p	21.7p

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	2022	2021
	£000	£000
Profit for the year attributable to:		
Equity holders of the parent	10,555	9,561
Profit for the year	10,555	9,561
Other comprehensive income items that will or may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	2,372	279
Fair value gain on financial instruments	1,499	763
Deferred tax charge on financial instruments	(414)	(151)
Other comprehensive income items that will not be reclassified to profit or loss:		
Changes in the fair value of equity investments through other comprehensive income	-	(2,470)
Other comprehensive income/(expense) for the year	3,457	(1,579)
Total comprehensive income for the period attributable to:		
Equity holders of the parent	14,012	7,982
Total comprehensive income for the year	14,012	7,982

Consolidated Statement of Changes in Shareholders' Equity
For the year ended 31 December 2022

	Share capital	Share premium	Treasury shares	Merger reserve	Translation reserve	Cashflow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2021	421	9,102	(1,896)	10,343	(1,037)	(538)	24,995	41,390
Contributions and distributions:								
Purchase of own shares	-	-	(562)	-	-	-	-	(562)
Issue of shares out of treasury	-	-	1,216	-	-	-	(1,211)	5
Dividends paid (Note 6)	-	-	-	-	-	-	(1,642)	(1,642)
Share-based payment charge	-	-	-	-	-	-	727	727
Deferred tax credit on share-based payment transactions	-	-	-	-	-	-	619	619
Share placement	41	17,732	-	-	-	-	-	17,773
Transactions with owners	41	17,732	654	-	-	-	(1,507)	16,920
Profit for the year	-	-	-	-	-	-	9,561	9,561
Other comprehensive income items that will or maybe reclassified to profit or loss:								
Fair value gain on financial instruments	-	-	-	-	-	763	-	763
Exchange differences on translating foreign operations	-	-	-	-	279	-	-	279
Deferred tax charge on financial instruments	-	-	-	-	-	(151)	-	(151)
Other comprehensive income items that will not be reclassified to profit or loss:								
Changes in the fair value of equity investments through other comprehensive income	-	-	-	-	-	-	(2,470)	(2,470)
Total comprehensive income for the year	-	-	-	-	279	612	7,091	7,982
Balance at 31 December 2021	462	26,834	(1,242)	10,343	(758)	74	30,579	66,292

	Share capital	Share premium	Treasury shares	Merger reserve	Translation reserve	Cashflow hedge reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2022	462	26,834	(1,242)	10,343	(758)	74	30,579	66,292
Contributions and distributions:								
Purchase of own shares	-	-	(1,321)	-	-	-	-	(1,321)
Issue of shares out of treasury	-	-	370	-	-	-	(369)	1
Dividends paid (Note 6)	-	-	-	-	-	-	(2,270)	(2,270)
Share-based payment charge	-	-	-	-	-	-	1,612	1,612
Deferred tax charge on share-based payment transactions	-	-	-	-	-	-	(127)	(127)
Transactions with owners	-	-	(951)	-	-	-	(1,154)	(2,105)
Profit for the year	-	-	-	-	-	-	10,555	10,555
Other comprehensive income items that will or maybe reclassified to profit or loss:								
Fair value gain on financial instruments	-	-	-	-	-	1,499	-	1,499
Exchange differences on translating foreign operations	-	-	-	-	2,372	-	-	2,372
Deferred tax charge on financial instruments	-	-	-	-	-	(414)	-	(414)
Total comprehensive income for the year	-	-	-	-	2,372	1,085	10,555	14,012
Balance at 31 December 2022	462	26,834	(2,193)	10,343	1,614	1,159	39,980	78,199

Consolidated Balance Sheet
At 31 December 2022

	Note	2022 £000	2021 £000
Assets			
Non-current assets			
Acquisition related intangible assets	7	10,815	13,359
Goodwill	7	14,975	14,360
Property, plant and equipment		23,867	23,384
Investments		10,054	9,239
Derivative financial instruments		1,417	129
Deferred tax assets	4	2,176	2,120
		63,304	62,591
Current assets			
Inventories	8	2,477	2,454
Trade and other receivables	9	12,992	12,208
Current tax assets		1,607	1,493
Derivative financial instruments		384	-
Cash and cash equivalents – Client registration funds	10	2,867	2,874
Cash and cash equivalents – Group cash	10	43,645	34,315
		63,972	53,344
Total assets		127,276	115,935
Liabilities			
Current liabilities			
Trade and other payables	11	31,546	30,042
Current tax liabilities		331	776
Provisions	12	849	677
Borrowings	14	1,200	1,200
Lease liabilities		720	1,153
		34,646	33,848
Non-current liabilities			
Provisions	12	248	603
Borrowings	14	12,939	14,123
Lease liabilities		1,162	400
Deferred tax liabilities	4	82	669
		14,431	15,795
Total liabilities		49,077	49,643
Net assets		78,199	66,292
Shareholders' equity			
Share capital	13	462	462
Share premium		26,834	26,834
Treasury shares		(2,193)	(1,242)
Merger reserve		10,343	10,343
Translation reserve		1,614	(758)
Cash flow hedge reserve		1,159	74
Retained earnings		39,980	30,579
Total equity		78,199	66,292

Consolidated Statement of Cash Flows
For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Profit before income tax		11,096	10,927
Adjustments for:			
Share of (profit)/loss of equity accounted investment		(602)	1,061
Amortisation of acquisition related intangible assets		3,766	2,891
Depreciation of property, plant and equipment		655	719
Reversal of impairment of right-of-use assets		(215)	-
Depreciation of right-of-use assets		827	794
Bank charges on derivative financial instruments		359	-
Net interest cost		602	654
Share-based payment charge		1,612	727
Increase in inventories		(23)	(1,047)
Increase in receivables		(680)	(1,385)
(Decrease)/Increase in payables representing client registration funds		(7)	859
Increase in payables excluding balances representing client registration funds		1,235	2,494
Decrease in provisions		(263)	(76)
Cash generated from operations		18,362	18,618
Interest paid		(808)	(646)
UK corporation tax paid		(1,017)	(3,018)
Foreign corporation tax paid		(1,266)	(940)
Cash flows from operating activities		15,271	14,014
Interest received		271	3
Purchase of property, plant and equipment		(92)	(544)
Purchase of intellectual property		-	(4,315)
Purchase of interest in associated company		(213)	(12,770)
Purchase of subsidiary undertakings, net of cash acquired		-	(1,455)
Cash flows used in investing activities		(34)	(19,081)
Issue of shares out of treasury		1	5
Share placement		-	17,773
Repurchase of own shares		(1,321)	(562)
Dividends paid		(2,270)	(1,642)
Purchase of derivative financial instruments		(531)	-
Repayment of term loan	14	(1,200)	(1,200)
Payment of lease liabilities		(1,135)	(1,297)
Cash flows from financing activities		(6,456)	13,077
Increase in cash and cash equivalents in the year		8,781	8,010
Cash and cash equivalents at the beginning of the year		37,189	29,074
Exchange gain on cash		542	105
Cash and cash equivalents at the end of the year	10	46,512	37,189

Cash and cash equivalents are analysed as follows:

	Note	2022 £000	2021 £000
Cash and cash equivalents – Client registration funds	10	2,867	2,874
Cash and cash equivalents – Group cash	10	43,645	34,315
		46,512	37,189

Extracts from notes to the financial statements

1. General Information

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

The Group and Company Financial Statements of Science Group plc were prepared under the International Financial Reporting Standards ('IFRS') as adopted by the UK in conformity with the requirements of the Companies Act 2006 and have been audited by Grant Thornton UK LLP. Accounts are available from the Company's registered office; Harston Mill, Harston, Cambridge, CB22 7GG.

The Company is incorporated and domiciled in England and Wales under the Companies Act 2006 and has its primary listing on the Alternative Investment Market of the London Stock Exchange (SAG.L). The value of Science Group plc shares, as quoted on the London Stock Exchange on 31 December 2022, was 395.0 pence per share (31 December 2021: 455.0 pence per share).

Alternative performance measures

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

(a) Adjusted Operating Profit

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

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

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

(b) Adjusted Earnings Per Share

The Group calculates this measure by dividing adjusted profit after tax by the weighted average number of shares in issue and the calculation of this measure is disclosed in Note 5. The tax rate applied to calculate the tax charge in this measure is the tax at the blended corporation tax rate across the various jurisdictions rate for the year which is 21.4% (2021: 22.0%) which results in a comparable tax charge year on year.

(c) Net Funds

The Group calculates this measure as the net of cash and cash equivalents – Group cash and Borrowings. Client registration funds are excluded from this calculation because these monies are for the purpose of payment of registration fees to regulatory bodies. This cash is separately identified for reporting purposes and is unrestricted. This measure is calculated as follows:

	Note	2022 £000	2021 £000
Cash and cash equivalents – Group cash	10	43,645	34,315
Borrowings	14	(14,139)	(15,323)
Net funds		29,506	18,992

Alternative performance measures

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

Going concern

The Directors have considered the current cash balance of £43.6 million (excluding client registration funds) and assessed forecast future cash flows for the next 18 months. There are no events or conditions which cast significant doubt on the ability of the Group to continue as a going concern. In support, as explained in the Statement of Executive Chair, the Group revenue and operating profit grew year on year and cash generated from operations was £18.4 million during the year ended 31 December 2022. The Group ended the year with net funds of £29.5 million, and with the undrawn Revolving Credit Facility ('RCF') of £25.0 million. The Directors are satisfied that the Group has adequate cash and financing resources to continue in operational existence for the foreseeable future, being a period of at least a year following the approval of the accounts and therefore continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

2. Segment Information

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

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

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

Services Operating Business	2022 £000	2021 £000
Services revenue	58,242	52,879
Other	2,423	2,840
Revenue	60,665	55,719
Adjusted operating profit	16,200	14,122
Amortisation of acquisition related intangible assets	(1,463)	(1,495)
Share-based payment charge	(1,249)	(502)
Operating profit	13,488	12,125

Product Operating Business	2022 £000	2021 £000
Product revenue	24,979	24,936
Revenue	24,979	24,936
Adjusted operating profit	3,869	5,156
Amortisation of acquisition related intangible assets	(2,303)	(1,396)
Share-based payment charge	(265)	(240)
Operating profit	1,301	3,520

Freehold Properties	2022 £000	2021 £000
Inter-company property income	3,436	3,046
Third party property income	657	561
Revenue	4,093	3,607
Adjusted operating profit	132	361
Share-based payment charge	(42)	(27)
Operating profit	90	334

Corporate	2022 £000	2021 £000
Adjusted operating loss	(2,599)	(3,379)
Acquisition integration costs	(1,128)	-
Share-based payment (charge)/credit	(56)	42
Share of profit/(loss) of equity accounted investment	602	(1,061)
Operating loss	(3,181)	(4,398)

Group	2022 £000	2021 £000
Services revenue	58,242	52,879
Product revenue	24,979	24,936
Third party property income	657	561
Other	2,423	2,840
Revenue	86,301	81,216
Adjusted operating profit	17,602	16,260
Acquisition integration costs	(1,128)	-
Amortisation of acquisition related intangible assets	(3,766)	(2,891)
Share-based payment charge	(1,612)	(727)
Share of profit/(loss) of equity accounted investment	602	(1,061)
Operating profit	11,698	11,581
Net finance costs	(602)	(654)
Profit before income tax	11,096	10,927
Income tax charge	(541)	(1,366)
Profit for the period	10,555	9,561

Geographical and currency revenue analysis

Primary geographic markets	2022 £000	2021 £000
United Kingdom	13,240	11,883
Other European Countries	10,621	12,228
North America	35,878	29,065
Asia	26,047	27,680
Other	515	360
	86,301	81,216
Currency	2022 £000	2021 £000
US Dollar	54,663	50,153
Euro	2,669	3,070
Sterling	28,969	27,985
Other	-	8
	86,301	81,216

3. Income Tax

The tax charge comprises:

Year ended 31 December	Note	2022 £000	2021 £000
Current taxation		(2,666)	(4,269)
Current taxation – adjustment in respect of prior years		539	(481)
Deferred taxation	4	643	2,975
Deferred taxation – adjustment in respect of prior years		413	85
R&D tax credit		530	324
		(541)	(1,366)

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

The corporation tax on Science Group's profit before tax differs from the theoretical amount that would arise using the blended corporation tax rate across the various jurisdictions applicable to profits of the consolidated companies of 21.4% (2021: 22.0%) as follows:

	2022 £000	2021 £000
Profit before tax	11,096	10,927
Tax calculated at domestic tax rates applicable to profits in the respective countries	(2,374)	(2,401)
Expenses not deductible for tax purposes	(389)	(543)
Adjustment in respect of prior years – current tax	539	(481)
Adjustment in respect of prior years – deferred tax	413	85
Movement in deferred tax due to change in tax rate	(35)	(313)
Share scheme movements	281	44
Losses used in year	569	1,033
(Derecognition)/recognition of tax losses as deferred tax asset	(190)	1,119
Share of profit/(loss) of equity accounted investment	115	(233)
R&D tax credit	530	324
Tax charge	(541)	(1,366)

The Group claims Research and Development tax credits under both the R&D expenditure credit scheme and the Small or Medium-sized Scheme. In the current year, the Group recognised a tax credit of £0.5 million (2021: £0.3 million). The Group performed a reasonable estimate of all amounts involved to determine the R&D tax credits to be recognised in the period to which it relates.

4. Deferred Tax

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

	Accelerated capital allowances	Tax losses	Share- based payment	Acquisition related intangible assets	Other temporary differences	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2021	(1,767)	1,001	775	(2,118)	293	(1,816)
Credited/(charged) to the Income Statement	1,721	1,119	(5)	174	(34)	2,975
Deferred tax relating to acquisitions	-	-	-	(246)	-	(246)
Credited to the Income Statement (adjustment in respect of prior year)	-	-	-	-	85	85
Credited/(charged) to Equity	-	-	619	-	(151)	468
Effect of movements in exchange rates	-	-	-	(15)	-	(15)
At 31 December 2021	(46)	2,120	1,389	(2,205)	193	1,451
(Charged)/credited to the Income Statement	(131)	(190)	506	588	(130)	643
Credited to the income statement (adjustment in respect of prior year)	129	-	-	-	284	413
Charged to Equity	-	-	(127)	-	(414)	(541)
Effect of movements in exchange rates	76	246	-	(194)	-	128
At 31 December 2022	28	2,176	1,768	(1,811)	(67)	2,094

	2022 £000	2021 £000
Deferred tax assets	2,176	2,120
Deferred tax liabilities	(82)	(669)
Net deferred tax assets	2,094	1,451

At 31 December 2022, Science Group had £26.7 million (2021: £27.8 million) of tax losses of which £17.1 million (2021: £17.6 million) related to trading losses in Frontier. Of the Frontier losses, £8.7 million (2021: £10.0 million) is recognised as a deferred tax asset which is anticipated to be used to offset future taxable profits. The balance of £8.4 million (2021: £7.6 million) has not been recognised as a deferred tax asset due to the uncertainty in the timing of utilisation of these losses. Aside from Frontier, the Group has other tax losses of £9.6 million (2021: £10.2 million) unrecognised as a deferred tax asset due to the low probability that these losses will be utilised.

Factors affecting future tax charges

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

5. Earnings Per Share

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

	2022			2021		
	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	10,555	45,525,568	23.2	9,561	42,660,991	22.4
Effect of dilutive potential ordinary shares: share options	-	1,268,082	(0.6)	-	1,435,102	(0.7)
Diluted earnings per ordinary share	10,555	46,793,650	22.6	9,561	44,096,093	21.7

Only the share options granted are dilutive.

The calculation of adjusted earnings per share is as follows:

	2022			2021		
	Adjusted* profit after tax £000	Weighted average number of shares	Pence per share	Adjusted* profit after tax £000	Weighted average number of shares	Pence per share
Adjusted basic earnings per ordinary share	13,362	45,525,568	29.4	12,173	42,660,991	28.5
Effect of dilutive potential ordinary shares: share options	-	1,268,082	(0.8)	-	1,435,102	(0.9)
Adjusted diluted earnings per ordinary share	13,362	46,793,650	28.6	12,173	44,096,093	27.6

*Calculation of adjusted profit after tax:

	2022 £000	2021 £000
Adjusted operating profit	17,602	16,260
Finance income	375	19
Finance costs	(977)	(673)
Adjusted profit before tax	17,000	15,606
Tax charge at the blended corporation tax rate across the various jurisdictions 21.4% (2021: 22.0%)	(3,638)	(3,433)
Adjusted profit after tax	13,362	12,173

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

6. Dividends

The final dividend for 2021 of £2.3 million was paid in June 2022 (2021: £1.6 million paid in June 2021).

The Board has proposed a final dividend for 2022 of 5.0 pence per share (2021: 5.0 pence per share). The dividend is subject to approval by shareholders at the next Annual General Meeting and the expected cost of £2.3 million has not been included as a liability as at 31 December 2022.

7. Intangible Assets

	Technology £000	Customer relationships £000	Goodwill £000	Total £000
Cost				
At 31 January 2021	6,792	13,647	15,882	36,321
Acquisitions through business combination	1,031	238	664	1,933
Additions	4,315	-	-	4,315
Effect of movement in exchange rates	168	30	39	237
At 31 December 2021	12,306	13,915	16,585	42,806
Effect of movement in exchange rates	1,350	428	615	2,393
At 31 December 2022	13,656	14,343	17,200	45,199
Accumulated amortisation				
At 1 January 2021	1,132	8,786	-	9,918
Amortisation charged in year	1,305	1,586	-	2,891
Effect of movement in exchange rates	27	19	-	46
At 31 December 2021	2,464	10,391	-	12,855
Amortisation charged in year	2,172	1,594	-	3,766
Effect of movement in exchange rates	335	221	-	556
At 31 December 2022	4,971	12,206	-	17,177
Accumulated impairment				
At 1 January, 31 December 2021 and 31 December 2022	-	7	2,225	2,232
Carrying amount				
At 31 December 2021	9,842	3,517	14,360	27,719
At 31 December 2022	8,685	2,130	14,975	25,790

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

	2022		2021	
	Pre-tax discount rate	£000	Pre-tax discount rate	£000
R&D Consultancy	16.8%	3,383	14.2%	3,383
Leatherhead Research	16.9%	650	14.1%	650
TSG – America	15.2%	2,874	16.4%	2,570
TSG – Europe	16.6%	4,546	15.8%	4,546
Frontier Smart Technologies Group	17.5%	3,522	14.1%	3,211
		14,975		14,360

Impairment review of goodwill

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

The Group prepares the cash flow forecasts derived from the most recent annual financial plan approved by the Board and extrapolates cash flows for the following four years based on forecast rates of growth or decline in revenue by the CGU.

The Group monitors its post-tax weighted average cost of capital and those of its competitors using market data. In considering the discount rates applying to CGUs, the Directors have considered the relative sizes, risks and the inter-dependencies of its CGUs. The impairment reviews use a discount rate adjusted for pre-tax cash flows and are included in the table above.

8. Inventories

	2022	2021
	£000	£000
Raw materials	263	304
Work in progress	485	793
Finished goods	1,729	1,357
	2,477	2,454

9. Trade and Other Receivables

	2022 £000	2021 £000
Current assets:		
Trade receivables	9,983	9,406
Provision for impairment	(207)	(75)
Trade receivables – net	9,776	9,331
Amounts recoverable on contracts	1,152	1,202
Other receivables	90	103
VAT	215	96
Prepayments	1,759	1,476
	12,992	12,208

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

10. Cash and Cash Equivalents

	2022 £000	2021 £000
Cash and cash equivalents – Group cash	43,645	34,315
Cash and cash equivalents – Client registration funds	2,867	2,874
	46,512	37,189

The Group receives cash from clients, primarily in North America, for the purpose of payment of registration fees to regulatory bodies. This cash is separately identified for reporting purposes and is unrestricted.

In connection with the Scheme of Arrangement, as referenced in Note 15, £12.6 million of Group cash was held in escrow at 31 December 2022 (2021: £nil).

11. Trade and Other Payables

	2022 £000	2021 £000
Current liabilities:		
Contract liabilities	19,679	17,061
Trade payables	1,689	2,591
Other taxation and social security	1,460	1,346
VAT	250	224
Accruals	8,468	8,820
	31,546	30,042

12. Provisions

	Dilapidations £000	Restructuring £000	Legal £000	Other £000	Total £000
At 1 January 2021	764	80	479	14	1,337
Provisions made during the year	89	-	248	6	343
Provisions used during the year	(5)	(10)	(30)	-	(45)
Provisions reversed during the year	(84)	-	(265)	(20)	(369)
Effect of movements in exchange rates	6	-	8	-	14
At 1 January 2022	770	70	440	-	1,280
Provisions made during the year	44	-	190	-	234
Provisions used during the year	(2)	-	(152)	-	(154)
Provisions reversed during the year	(164)	(30)	(149)	-	(343)
Effect of movements in exchange rates	58	-	22	-	80
At 31 December 2022	706	40	351	-	1,097
Current liabilities	458	40	351	-	849
Non-current liabilities	248	-	-	-	248
<hr/>					
At 31 December 2021	770	70	440	-	1,280
Current liabilities	167	70	440	-	677
Non-current liabilities	603	-	-	-	603

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

The average remaining life of the leases as at 31 December 2022 is 1.4 years (2021: 2 years).

The restructuring provision relates to the costs associated with the closure of some non-trading Group entities.

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

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

13. Called-up Share Capital

	2022 £000	2021 £000
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	462	462
	Number	Number
<i>Allotted, called-up and fully paid</i>		
Ordinary shares of £0.01 each	46,185,874	46,185,874

The allotted, called-up and fully paid share capital of the Company as at 31 December 2022 was 46,185,874 shares (2021: 46,185,874) and the total number of ordinary shares in issue (excluding treasury shares) was 45,436,823 (2021: 45,720,276). Of the ordinary shares in issue, 34,800 shares (2021: 104,400) are held by the Frontier Smart Technologies Employee Benefit Trust. The total number of voting rights in the Company is 45,402,023 (2021: 45,615,876).

14. Borrowings

	2022 £000	2021 £000
Current bank borrowings	1,200	1,200
Non-current bank borrowings	12,939	14,123
Total borrowings	14,139	15,323
	2022 £000	2021 £000
Opening balance	15,323	16,507
Repayments in the year	(1,200)	(1,200)
Amortisation of loan arrangement fee	16	16
Total borrowings	14,139	15,323

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

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

At 31 December 2022, the amount outstanding on the term loan was £14.2 million (2021: £15.4 million).

The reconciliation of bank loans interest expense is shown below.

	2022	2021
	£000	£000
Interest expense	533	580
Interest paid	(517)	(564)
Amortisation of loan arrangement fee	(16)	(16)
Interest accrual at the year end	-	-

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

The RCF has two financial covenants with which the Group needs to comply if the facility is drawn: (i) the Group's net leverage, as defined as the net debt divided by the rolling 12 month EBITDA, should not exceed 2.5; and (ii) the Group's interest cover, as defined as the rolling 12 month EBITDA divided by the rolling interest payments on all borrowings, should not be less than 4.0. Reporting is on a 6 monthly basis unless the net leverage exceeds 2.0, in which case reporting moves to quarterly until net leverage returns to below 2.0 again. For the term of the RCF, the previous covenants for the term loan are superseded by the covenants of the RCF and will not apply.

The reconciliation of RCF interest expense is shown below.

	2022	2021
	£000	£000
Interest expense	349	-
Interest paid	(268)	-
Amortisation of RCF arrangement fee	(81)	-
Interest accrual at the year end	-	-

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

	2022	2021
	£000	£000
Within one year	1,200	1,200
Between 1 and 2 years	1,200	1,200
Between 2 and 5 years	11,800	3,600
Over 5 years	-	9,400
	14,200	15,400

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

The notional amount on the interest rate swaps reduces in line with the repayment of the term loan, so an effective hedge remains throughout the term of the loan. There are 4 active swaps in place at 31 December 2022, totalling £14.2 million. Of this total, £2.8 million will mature in September 2025 and the remaining balance of £11.4 million will mature in September 2026. The fair value of the swaps at 31 December 2022 was an asset of £1,417,000 (2021: £129,000).

15. Post balance sheet events

Since the year end the Group has completed the acquisition of TP Group plc, which adds significant scale to the Group and provides a strategic entry into the defence sector. The acquisition of TP Group plc commenced with an initial holding of 10.2% on 9 August 2021. The Group increased its shareholding with further share acquisitions across 2021 and 2022. In October 2022, the Group made an offer to acquire the remaining shares in TP Group plc through a court-approved Scheme of Arrangement. This became effective on 26 January 2023. Including the payment in January 2023 and excluding advisory fees, the total cost of acquiring shares in TP Group plc was £25.4 million.

The acquisition was progressive and occurred over 18 months and judgement has been exercised in order to determine the following key dates:

- (i) the date at which TP Group plc became an associate of the Group. This was determined by reference to the ability to exercise significant influence over TP Group plc; and
- (ii) the date at which the Group obtained control over TP Group plc. This was determined by reference to the holding of voting shares exceeding 50%.

The fair value of the assets and liabilities in relation to this acquisition have not been presented as the work is ongoing to perform the valuations, in particular:

- (i) the factors that make up goodwill to be recognised;
- (ii) the fair value of the equity interest immediately before the acquisition date and any gain or loss recognised as a result of remeasuring to fair value the equity interest held before the acquisition; and
- (iii) the fair values of the assets acquired and the liabilities assumed.

16. Statement by the Directors

Whilst the information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRSs') as adopted by the UK in conformity with the requirements of the Companies Act 2006, this announcement does not itself contain sufficient information to comply with IFRSs. The accounting policies adopted in this preliminary announcement are consistent with the Annual Report for the year ended 31 December 2022.

The financial information set out above, which was approved by the Board on 20 March 2023, is derived from the full Group accounts for the year ended 31 December 2022 and does not constitute the statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group accounts on which the auditors have given an unqualified report, which does not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the accounts for 2022, will be delivered to the Registrar of Companies in due course.

The Board of Science Group approved the release of this preliminary announcement on 20 March 2023.

The Annual Report for the year ended 31 December 2022 will be posted to shareholders in due course and will be delivered to the Registrar of Companies following the Annual General Meeting of the Company. The report will also be available on the investor relations page of the Group's website. Further copies will be available on request and free of charge from the Company Secretary.

- Ends -
