

science group

23 July 2024

SCIENCE GROUP PLC

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

INTERIM RESULTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2024

Summary

- Record H1 adjusted* operating profit of £11.0m (H1 2023: £10.4m)
- Adjusted* basic EPS increase to 18.1 pence (H1 2023: 16.6 pence)
- Strong balance sheet with Group cash of £38.8m and net funds of £26.4m (H1 2023: £29.2m and £15.7m respectively), benefitting from good cash conversion
- CMS2 turnaround delivering significant contribution
- Increased 2024 share buyback programme of up to £5.0m

Science Group plc

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

Interim Results 2024

Science Group plc is an international science & technology consultancy and systems organisation, supported by a robust balance sheet including significant cash resources and freehold property assets.

For the six months ended 30 June 2024, Group Adjusted Operating Profit increased to a record first half of £11.0 million (H1 2023: £10.4 million) on revenue of £53.7 million (H1 2023: £56.1 million). Adjusted basic earnings per share increased to 18.1 pence (H1 2023: 16.6 pence) and cash generated from operations in the period was £10.7 million (H1 2023: £7.2 million). (Alternative performance measures provide clarity on the Group's underlying trading performance. Refer to Note 1 for detail and explanation of the measures used.)

The highlight of the period was the progress made at CMS2 which has been transformed since Science Group first invested in TP Group in mid-2021 and is now reporting growth in revenue and a substantial increase in profitability. With its leading market position and forward visibility in a strategically important sector of the Defence market, CMS2 is developing into a very attractive asset.

The Group retains a robust balance sheet with Group cash (excluding client funds) at 30 June 2024 of £38.8 million (30 June 2023: £29.2 million) and net funds of £26.4 million (30 June 2023: £15.7 million), prior to the recent dividend payment in July. In addition to the Term Debt of £12.4 million, which expires in September 2026, the Group has a £25 million Revolving Credit Facility which remains undrawn.

During the period, 74,473 shares were purchased for treasury at an average price of 413 pence per share. Excluding treasury shares, at 30 June 2024, the Company had 45.7 million shares in issue (30 June 2023: 45.2 million) and held 0.5 million shares in treasury (30 June 2023: 1.0 million). Total voting rights at 30 June 2024 were 45.7 million. With its strong balance sheet, significant cash resources and operating cashflow, the Board has decided to increase the capital allocated to the share buyback programme in 2024, up to £5.0 million.

Consultancy Division

Science Group Consultancy Division is an international science and technology services business providing advisory, product development and regulatory services to the Consumer, Defence & Aerospace, Industrial and Medical sectors. The Consultancy Division strategy is differentiated through deep technical and scientific expertise combined with specialist industry knowledge.

Reflecting a strong prior year comparator and the widely reported slowdown across the consultancy market over the past year, first half revenue was £36.5 million (H1 2023: £42.3 million). However, with its high-end market positioning, the Division's strong margins have been maintained and Adjusted Operating Profit was £8.8 million in line with the second half of 2023 (H1 2023: £11.5 million);

H2 2023: £8.9 million). The Board anticipates that performance in H2 2024 will be broadly in line with the first half of the year.

The Consultancy Division benefits from sector and practice diversity which mitigates short-term market variability. The Medical and Industrial sectors reported a revenue decrease compared to prior year as a result of large projects concluding in 2023. However, while the Industrial sector remains subdued, it is encouraging to see that in H1 2024 the Medical sector delivered sequential growth relative to H2 2023. The Defence sector was anticipated to decline due to the planned management action to reduce legacy low-margin activities although this was accentuated by a slowdown in discretionary spend in the run-up to the UK election. The Consumer sector was flat on prior year, benefitting from the sustainability agenda particularly in the Food and Beverage sub-sector.

The operating synergies between the sector practices across the Consultancy Division continue to develop and the marketing teams are now being combined into a single function to deliver greater impact, resilience and scale benefits. In parallel, the operational support infrastructure is progressively being integrated through a programme of upgrading IT systems onto a common platform across the Division. Supported by the IT investment, the finance function is also now being consolidated and an integrated transaction processing team is being established.

Systems Businesses

The Group has two Systems businesses, both of which have strong positions in their specialist markets. These businesses operate independently but are supported by the Group's infrastructure and the Consultancy Division's science, technology and engineering expertise.

Critical Maritime Systems & Support ('CMS2') designs, develops and manufactures submarine atmosphere management systems for the Defence sector, where the business has a leading position outside the USA. The geo-political events in recent years have reinforced the strategic imperative of submarines requiring extended operational deployments, capability for which CMS2's complex systems are specifically designed.

Acquired as part of TP Group, the business has benefitted from significant management focus since Science Group first invested in mid-2021. These actions, including exiting non-core activities; renegotiating onerous contracts; installing a new management team; and increasing prices for systems and services, have transformed the business while simultaneously improving quality, security, health & safety and product/supplier assurance systems. In parallel, CMS2 has also been working with Science Group's Consultancy Division, increasing investment in innovation for the next generation of CMS2 products with 12 patents being filed in 2024 to date.

The results of these endeavours are now coming to fruition. CMS2 revenue increased to £10.9 million for the six months ended 30 June 2024 (5 months, H1 2023: £7.9 million) with a substantial increase in Adjusted Operating Profit to £3.2 million (5 months, H1 2023: £0.8 million). Solid financial and operational foundations are essential for CMS2 customers deploying strategically important systems with a long life-cycle. While the business is characterised by some revenue recognition timing

variability, CMS2 has good visibility of potential demand through identified UK and international boat programmes, often where CMS2 is the incumbent supplier.

Consistent with the long life-cycle of deployed systems, CMS2 is also investing in its service and support model and is rolling out a programme of support contracts across the installed client base with the first international client now signed. In parallel, a 2 year extension to provide support to the UK fleet was also recently contracted.

Frontier is a leading supplier of radio and audio semiconductors and modules. In line with the wider consumer electronics sector, the business benefitted during the pandemic and suffered thereafter due to the semiconductor supply chain anomaly and subsequent economic downturn. As inventory levels normalise, the anticipated revenue recovery is now apparent with Frontier reporting revenue of £5.9 million for the six months ended 30 June 2024 (H1 2023: £5.4 million; H2 2023: £4.5 million), translating into operating break even for the period while continuing to expense all R&D investment.

Frontier investment in product development has resulted in the launch of a new connected-audio product, Auria, to open up incremental market opportunities. In its traditional radio market, where the migration to DAB/DAB+ is continuing, Frontier retains market leadership and is believed to be the first manufacturer to design the new German national warning system functionality into its products. In parallel, Frontier's legacy internet content services are being outsourced to a third-party, consistent with the model used for music streaming services. Upon completion, Frontier UK will be entirely focused on the design, development and supply of semiconductor solutions with the Asian operations providing sales and support.

Summary and Outlook

The first half of 2024 has continued the Group's consistent track record, delivering record first half Adjusted Operating Profit, with strong cash conversion, despite ongoing economic and political uncertainty. This solid performance provides a good platform for the remainder of the year.

The operating improvements and financial performance delivered by CMS2 are particularly noteworthy. At the same time, the Consultancy Division has demonstrated resilience in a more unpredictable market environment and the anticipated Frontier recovery is making progress.

With a robust balance sheet, including significant cash resources and undrawn debt facilities, combined with ongoing operating cash generation, Science Group continues to explore corporate opportunities while also increasing the capital allocated to the share buy-back programme.

Consolidated Income Statement
For the period ended 30 June 2024

| | Note | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|---|------|---|---|---|
| Revenue | 5 | 53,686 | 56,099 | 113,341 |
| Direct operating expenses | | (31,254) | (32,786) | (67,090) |
| Sales and marketing expenses | | (4,514) | (4,493) | (9,206) |
| Administrative expenses | | (10,264) | (12,269) | (28,731) |
| Share of loss of equity accounted investment | | - | (163) | (169) |
| Adjusted operating profit | | 10,989 | 10,420 | 20,535 |
| Acquisition integration costs | | (22) | (247) | (518) |
| Amortisation of acquisition related intangible assets | | (2,270) | (2,520) | (4,944) |
| Loss on remeasurement of equity-accounted investment | | - | - | (4,762) |
| Share-based payment charge | | (1,043) | (1,102) | (1,997) |
| Share of (loss)/profit of equity accounted investment | | - | (163) | (169) |
| Operating profit | | 7,654 | 6,388 | 8,145 |
| Finance income | | 339 | 229 | 679 |
| Finance costs | | (435) | (501) | (1,205) |
| Profit before income tax | | 7,558 | 6,116 | 7,619 |
| Income tax charge (including R&D tax credit of £335,000 (H1 2023: £420,000)) | 6 | (1,660) | (730) | (2,095) |
| Profit for the period | | 5,898 | 5,386 | 5,524 |
| Earnings per share | | | | |
| Earnings per share (basic) | 7 | 12.9p | 11.9p | 12.1p |
| Earnings per share (diluted) | 7 | 12.8p | 11.5p | 12.0p |

Consolidated Statement of Comprehensive Income

For the period ended 30 June 2024

| | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|---|---|---|---|
| Profit for the period attributable to: | | | |
| Equity holders of the parent | 5,898 | 5,386 | 5,524 |
| Profit for the period | 5,898 | 5,386 | 5,524 |
| Other comprehensive income items that may be reclassified to profit or loss: | | | |
| Exchange differences on translating foreign operations | 1 | (723) | (848) |
| Fair value (loss)/gain on derivative financial instruments | (232) | 289 | (441) |
| Deferred tax credit/(charge) on derivative financial instruments | 58 | (50) | 147 |
| Other comprehensive expense for the period | (173) | (484) | (1,142) |
| Total comprehensive income for the period attributable to: | | | |
| Equity holders of the parent | 5,725 | 4,902 | 4,382 |
| Total comprehensive income for the period | 5,725 | 4,902 | 4,382 |

Consolidated Statement of Changes in Shareholders' Equity (unaudited)

| Group | Share capital | Share premium | Treasury shares | Merger reserve | Translation reserve | Cash flow hedge reserve | Retained earnings | Total equity |
|---|---------------|---------------|-----------------|----------------|---------------------|-------------------------|-------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 January 2023 | 462 | 26,834 | (2,193) | 10,343 | 1,614 | 1,159 | 39,980 | 78,199 |
| Purchase of own shares | - | - | (1,064) | - | - | - | - | (1,064) |
| Issue of shares out of treasury stock | - | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | (2,259) | (2,259) |
| Share-based payment charge | - | - | - | - | - | - | 1,102 | 1,102 |
| Deferred tax charge on share-based payment transactions | - | - | - | - | - | - | 237 | 237 |
| Transactions with owners | - | - | (1,064) | - | - | - | (920) | (1,984) |
| Profit for the period | - | - | - | - | - | - | 5,386 | 5,386 |
| Other comprehensive income items that may be reclassified to profit or loss: | | | | | | | | |
| Fair value gain on derivative financial instruments | - | - | - | - | - | 289 | - | 289 |
| Exchange differences on translating foreign operations | - | - | - | - | (723) | - | - | (723) |
| Deferred tax charge on derivative financial instruments | - | - | - | - | - | (50) | - | (50) |
| Total comprehensive income for the period | - | - | - | - | (723) | 239 | 5,386 | 4,902 |
| Balance at 30 June 2023 | 462 | 26,834 | (3,257) | 10,343 | 891 | 1,398 | 44,446 | 81,117 |

| Group | Share capital | Share premium | Treasury shares | Merger reserve | Translation reserve | Cash flow hedge reserve | Retained earnings | Total equity |
|---|---------------|---------------|-----------------|----------------|---------------------|-------------------------|-------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 July 2023 | 462 | 26,834 | (3,257) | 10,343 | 891 | 1,398 | 44,446 | 81,117 |
| Purchase of own shares | - | - | (2,811) | - | - | - | - | (2,811) |
| Issue of shares out of treasury stock | - | - | 3,138 | - | - | - | (3,128) | 10 |
| Share-based payment charge | - | - | - | - | - | - | 895 | 895 |
| Deferred tax credit on share-based payment transactions | - | - | - | - | - | - | (704) | (704) |
| Transactions with owners | - | - | 327 | - | - | - | (2,937) | (2,610) |
| Profit for the period | - | - | - | - | - | - | 138 | 138 |
| Other comprehensive income items that may be reclassified to profit or loss: | | | | | | | | |
| Fair value gain on derivative financial instruments | - | - | - | - | - | (730) | - | (730) |
| Exchange differences on translating foreign operations | - | - | - | - | (125) | - | - | (125) |
| Deferred tax charge on derivative financial instruments | - | - | - | - | - | 197 | - | 197 |
| Total comprehensive income for the period | - | - | - | - | (125) | (533) | 138 | (520) |
| Balance at 31 December 2023 | 462 | 26,834 | (2,930) | 10,343 | 766 | 865 | 41,647 | 77,987 |

| Group | Share capital | Share premium | Treasury shares | Merger reserve | Translation reserve | Cash flow hedge reserve | Retained earnings | Total equity |
|--|---------------|---------------|-----------------|----------------|---------------------|-------------------------|-------------------|---------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 January 2024 | 462 | 26,834 | (2,930) | 10,343 | 766 | 865 | 41,647 | 77,987 |
| Purchase of own shares | - | - | (310) | - | - | - | - | (310) |
| Issue of shares out of treasury stock | - | - | 1,354 | - | - | - | (1,351) | 3 |
| Share-based payment charge | - | - | - | - | - | - | 1,043 | 1,043 |
| Deferred tax credit on share-based payment transactions | - | - | - | - | - | - | 71 | 71 |
| Transactions with owners | - | - | 1,044 | - | - | - | (237) | 807 |
| Profit for the period | - | - | - | - | - | - | 5,898 | 5,898 |
| Other comprehensive income items that may be reclassified to profit for loss: | | | | | | | | |
| Fair value gain on derivative financial instruments | - | - | - | - | - | (232) | - | (232) |
| Exchange differences on translating foreign operations | - | - | - | - | 1 | - | - | 1 |
| Deferred tax charge on derivative financial instruments | - | - | - | - | - | 58 | - | 58 |
| Total comprehensive income for the period | - | - | - | - | 1 | (174) | 5,898 | 5,725 |
| Balance at 30 June 2024 | 462 | 26,834 | (1,886) | 10,343 | 767 | 691 | 47,308 | 84,519 |

Consolidated Balance Sheet

At 30 June 2024

| | | At 30 June 2024 (Unaudited) £000 | At 30 June 2023 (Unaudited) £000 | At 31 December 2023 (Audited) £000 |
|--|------|---|---|---|
| | Note | | | |
| Assets | | | | |
| Non-current assets | | | | |
| Acquisition related intangible assets | | 23,590 | 28,273 | 25,845 |
| Goodwill | | 18,884 | 24,257 | 18,878 |
| Property, plant and equipment | | 25,246 | 25,336 | 25,477 |
| Derivative financial instruments | | 861 | 1,639 | 886 |
| Deferred tax assets | | 2,430 | 4,346 | 2,071 |
| | | 71,011 | 83,851 | 73,157 |
| Current assets | | | | |
| Inventories | | 1,247 | 2,238 | 1,332 |
| Trade and other receivables | | 21,134 | 18,851 | 23,315 |
| Current tax assets | | 1,605 | 1,976 | 1,516 |
| Derivative financial instruments | | 94 | 365 | 301 |
| Cash and cash equivalents - Client funds | 8 | 2,213 | 2,351 | 1,881 |
| Cash and cash equivalents - Group cash | 8 | 38,751 | 29,238 | 30,949 |
| | | 65,044 | 55,019 | 59,294 |
| Total assets | | 136,055 | 138,870 | 132,451 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables | | 29,420 | 33,081 | 32,041 |
| Current tax liabilities | | 340 | 1,484 | 379 |
| Provisions | 9 | 742 | 869 | 1,481 |
| Borrowings | 10 | 1,200 | 1,200 | 1,200 |
| Lease liabilities | 11 | 678 | 754 | 626 |
| | | 32,380 | 37,388 | 35,727 |
| Non-current liabilities | | | | |
| Provisions | 9 | 1,166 | 537 | 889 |
| Borrowings | 10 | 11,164 | 12,348 | 11,756 |
| Lease liabilities | 11 | 3,320 | 3,173 | 3,319 |
| Deferred tax liabilities | | 3,506 | 4,307 | 2,773 |
| | | 19,156 | 20,365 | 18,737 |
| Total liabilities | | 51,536 | 57,753 | 54,464 |
| Net assets | | 84,519 | 81,117 | 77,987 |
| Shareholders' equity | | | | |
| Share capital | | 462 | 462 | 462 |
| Share premium | | 26,834 | 26,834 | 26,834 |
| Treasury shares | | (1,886) | (3,257) | (2,930) |
| Merger reserve | | 10,343 | 10,343 | 10,343 |
| Translation reserve | | 767 | 891 | 766 |
| Cash flow hedge reserve | | 691 | 1,398 | 865 |
| Retained earnings | | 47,308 | 44,446 | 41,647 |
| Total equity | | 84,519 | 81,117 | 77,987 |

Consolidated Statement of Cash Flows

For the period ended 30 June 2024

| | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|---|---|---|---|
| Profit before income tax | 7,558 | 6,116 | 7,619 |
| Adjustments for: | | | |
| Share of profit of equity accounted investment | - | 163 | 169 |
| Loss on remeasurement of equity-accounted investment | - | - | 4,762 |
| Amortisation on acquisition related intangible assets | 2,270 | 2,520 | 4,944 |
| Depreciation on property, plant and equipment | 275 | 318 | 694 |
| Depreciation of right-of-use assets | 421 | 530 | 1,053 |
| Bank charges on derivative financial instruments | - | 86 | 422 |
| Net interest cost | 96 | 272 | 526 |
| Share-based payment charge | 1,043 | 1,102 | 1,997 |
| Decrease in inventories | 94 | 316 | 1,222 |
| Decrease/(increase) in receivables | 2,140 | 2,542 | (2,019) |
| Increase/(decrease) in payables representing client funds | 332 | (516) | (986) |
| Decrease in payables excluding balances representing client funds | (3,041) | (6,116) | (10,760) |
| Change in provisions | (462) | (138) | 662 |
| Cash generated from operations | 10,726 | 7,195 | 10,305 |
| Interest paid | (387) | (391) | (1,106) |
| UK corporation tax received/(paid) | (1,039) | 338 | (962) |
| Foreign corporation tax paid | (230) | (137) | (325) |
| Cash flows from operating activities | 9,070 | 7,005 | 7,912 |
| Interest received | 341 | 166 | 583 |
| Purchase of property, plant and equipment | - | (74) | (80) |
| Purchase of subsidiary undertakings, net of cash/borrowings acquired | - | (17,839) | (13,923) |
| Sale of subsidiary undertaking, net of cash sold | - | 638 | 638 |
| Cash flow used in investing activities | 341 | (17,109) | (12,782) |
| Issue of shares out of treasury | 3 | - | 10 |
| Purchase of own shares | (310) | (1,064) | (3,875) |
| Dividends paid | - | (2,259) | (2,259) |
| Purchase of derivative financial instruments | - | - | (250) |
| Repayment of bank loans | (600) | (600) | (1,200) |
| Payment of lease liabilities | (399) | (620) | (912) |
| Cash flows used in financing activities | (1,306) | (4,543) | (8,486) |
| Increase/(decrease) in cash and cash equivalents in the period | 8,105 | (14,647) | (13,356) |
| Cash and cash equivalents at the beginning of the period | 32,830 | 46,512 | 46,512 |
| Exchange gain/(loss) on cash | 29 | (276) | (326) |
| Cash and cash equivalents at the end of the period | 40,964 | 31,589 | 32,830 |

Cash and cash equivalents is analysed as follows:

| | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|--|---|---|---|
| Cash and cash equivalents – Client funds | 2,213 | 2,351 | 1,881 |
| Cash and cash equivalents – Group cash | 38,751 | 29,238 | 30,949 |
| | 40,964 | 31,589 | 32,830 |

Extracts from notes to the financial statements

1. General information

The financial information for the six months ended 30 June 2024 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 2023 has been extracted from the 2023 Financial Statements of Science Group plc. The Group's statutory financial statements for the year ended 31 December 2023 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

These unaudited interim results have been approved for issue by the Board of Directors on 22 July 2024.

The Group and Company financial statements of Science Group plc for the year ended 31 December 2023 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. 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 & technology consultancy and systems organisation.

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 under the Companies Act 2006 and is listed on the Alternative Investment Market of the London Stock Exchange (SAG).

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 in the 2023 Financial Statements and the calculations are as follows:

(a) Adjusted operating profit

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

(b) Adjusted earnings per share

The calculation of this measure is disclosed in Note 7.

(c) Net funds

This measure is calculated as follows:

| | At 30 June 2024 £000 | At 30 June 2023 £000 | At 31 December 2023 £000 |
|--|-------------------------------------|----------------------------|--------------------------------|
| Cash and cash equivalents – Group cash | 38,751 | 29,238 | 30,949 |
| Borrowings | (12,364) | (13,548) | (12,956) |
| Net funds | 26,387 | 15,690 | 17,993 |

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 2023. 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 2024. They have been prepared based on the measurement and recognition principles of IFRS as adopted by the UK in conformity with the requirements of the Companies Act 2006 and effective at the time of preparing these statements. The financial statements have been prepared on the historical cost basis except for certain financial instruments and share-based payments which are measured at fair value.

Going concern

The Directors have considered the current cash balance of £38.8 million (excluding client registration funds) and assessed forecast future cash flows for the next 12 months. There are no events or conditions which cast significant doubt on the ability of the Group to continue as a going concern. In addition to the existing term loan, in December 2021 the Group agreed a £25 million Revolving Credit Facility with its bank, which to date has not been drawn. The Directors are satisfied that the Group has adequate cash and financial resources to continue in operational existence for the foreseeable future, being a period of at least a year following the release of these unaudited interim results and therefore continue to adopt the going concern basis of accounting in preparing the interim financial statements.

3. Financial risk management

3.1 Financial risk factors

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

4. Segmental information

The Group's segmental reporting shows the performance of the operating businesses separately from the value generated by the Group's freehold property assets and the Corporate costs. Financial information is provided to the Chief Operating Decision Makers ('CODMs') in line with this structure: the Consultancy Services Segment; the two Systems Businesses (Submarine Atmosphere Management and Audio Chips and Modules); the Freehold Properties and Corporate costs.

The Consultancy Services business comprises multiple Practices which are aggregated into one Consultancy Services Segment because the Practices and the services they provide have similar economic characteristics. 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.

Consultancy Services revenue includes all consultancy fees and other revenue includes recharged materials and expenses relating directly to Consultancy Services activities. Systems - Submarine Atmosphere Management revenue includes the development, manufacture and support of specialist systems for submarine atmosphere management, used in the UK and international naval defence markets. Systems - Audio Chips and Modules 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 internal businesses which have been charged fees at an arm's length market rental rate for their utilised property space and associated costs. (Internal cross-charges are eliminated on consolidation.) Corporate costs include PLC/Group costs.

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

| Consultancy Services | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|---|---|---|---|
| Consultancy Services revenue | 36,041 | 41,492 | 79,729 |
| Other | 494 | 814 | 1,553 |
| Revenue | 36,535 | 42,306 | 81,282 |
| Adjusted operating profit | 8,840 | 11,462 | 20,355 |
| Amortisation of acquisition related intangible assets | (808) | (1,023) | (1,918) |
| Share-based payment charge | (751) | (636) | (1,557) |
| Operating profit | 7,281 | 9,803 | 16,880 |

| Systems – Audio chips and Modules | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|---|---|---|---|
| Systems revenue – Audio Chips and Modules | 5,889 | 5,438 | 9,975 |
| Revenue | 5,889 | 5,438 | 9,975 |
| Adjusted operating profit/(loss) | 60 | (550) | (1,427) |
| Amortisation of acquisition related intangible assets | (1,052) | (1,155) | (2,274) |
| Share-based payment charge | (145) | (191) | (229) |
| Operating loss | (1,137) | (1,896) | (3,930) |

| Systems – Submarine Atmosphere Management | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|---|---|---|---|
| Systems revenue - Submarine Atmosphere Management | 10,922 | 7,933 | 21,265 |
| Revenue | 10,922 | 7,933 | 21,265 |
| Adjusted operating profit | 3,170 | 810 | 3,619 |
| Amortisation of acquisition related intangible assets | (410) | (342) | (752) |
| Share-based payment charge | (63) | (150) | (77) |
| Operating profit | 2,697 | 318 | 2,790 |

| Freehold Properties | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|---|---|---|---|
| Intercompany property income | 1,659 | 1,818 | 3,398 |
| Third party property income | 340 | 422 | 819 |
| Revenue | 1,999 | 2,240 | 4,217 |
| Adjusted operating profit | 392 | 154 | 597 |
| Share-based payment charge | (18) | (15) | (44) |
| Operating profit | 374 | 139 | 553 |
| Corporate | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
| Adjusted operating loss | (1,473) | (1,456) | (2,609) |
| Acquisition integration costs | (22) | (247) | (518) |
| Share-based payment charge | (66) | (110) | (90) |
| Loss on remeasurement of equity-accounted investment | - | - | (4,762) |
| Share of (loss)/profit of equity accounted investment | - | (163) | (169) |
| Operating loss | (1,561) | (1,976) | (8,148) |
| Group | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
| Consultancy Services revenue | 36,041 | 41,492 | 79,729 |
| Systems revenue – Audio Chips and Modules | 5,889 | 5,438 | 9,975 |
| Systems revenue - Submarine Atmosphere Management | 10,922 | 7,933 | 21,265 |
| Third party property income | 340 | 422 | 819 |
| Other | 494 | 814 | 1,553 |
| Revenue | 53,686 | 56,099 | 113,341 |
| Adjusted operating profit | 10,989 | 10,420 | 20,535 |
| Acquisition integration costs | (22) | (247) | (518) |
| Amortisation of acquisition related intangible assets | (2,270) | (2,520) | (4,944) |
| Loss on remeasurement of equity-accounted investment | - | - | (4,762) |
| Share-based payment charge | (1,043) | (1,102) | (1,997) |
| Share of (loss)/profit of equity accounted investment | - | (163) | (169) |
| Operating profit | 7,654 | 6,388 | 8,145 |
| Finance charges (net) | (96) | (272) | (526) |
| Profit before income tax | 7,558 | 6,116 | 7,619 |
| Income tax charge | (1,660) | (730) | (2,095) |
| Profit for the period | 5,898 | 5,386 | 5,524 |

In the Freehold Properties Segment, income includes £1.7 million (H1 2023: £1.8 million) generated from inter-segment recharges. The corresponding costs are included within the operating Segments and are eliminated on consolidation.

5. Revenue

In the following tables, revenue is disaggregated by geographical market and by the currency in which the contract is denominated.

For the period ended 30 June (Unaudited)

| Geographical market | North America £000 | Europe (excl. UK) £000 | UK £000 | Asia £000 | Other £000 | Total £000 |
|---------------------|-----------------------|---------------------------|------------|--------------|---------------|---------------|
| 2024 | 13,120 | 8,190 | 22,774 | 9,200 | 402 | 53,686 |
| 2023 | 17,158 | 6,968 | 23,976 | 7,478 | 519 | 56,099 |

| Currency | USD £000 | EUR £000 | GBP £000 | Total £000 |
|----------|-------------|-------------|-------------|---------------|
| 2024 | 16,619 | 866 | 36,201 | 53,686 |
| 2023 | 19,642 | 1,733 | 34,724 | 56,099 |

6. Income tax

The income tax charge for the period ended 30 June 2024 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 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|--|---|---|---|
| Profit before tax | 7,558 | 6,116 | 7,619 |
| Current taxation | (1,396) | (1,686) | (3,056) |
| Current taxation – adjustment in respect of prior years | (63) | - | 84 |
| Deferred taxation | (536) | 586 | 317 |
| Deferred taxation – adjustment in respect of prior years | - | (50) | 43 |
| R&D tax credit | 335 | 420 | 517 |
| Tax charge | (1,660) | (730) | (2,095) |
| Effective tax rate | 22.0% | 11.9% | 27.5% |

The Group claims Research and Development tax credits under the Research and Development ('R&D') Expenditure Credit 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 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|------------------------------------|---|--|--|
| Profit for the financial period | 5,898 | 5,386 | 5,524 |
| Weighted average number of shares: | | | |
| For basic earnings per share | 45,569,518 | 45,346,375 | 45,553,584 |
| For diluted earnings per share | 46,104,474 | 46,642,457 | 46,191,378 |
| Earnings per share: | | | |
| | Pence | Pence | Pence |
| Basic earnings per share | 12.9 | 11.9 | 12.1 |
| Diluted earnings per share | 12.8 | 11.5 | 12.0 |

The calculation of adjusted earnings per share is as follows:

| | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|---|---|--|--|
| Adjusted* profit after tax for the period | 8,260 | 7,521 | 15,187 |
| Weighted average number of shares: | | | |
| For basic earnings per share | 45,569,518 | 45,346,375 | 45,553,584 |
| For diluted earnings per share | 46,104,474 | 46,642,457 | 46,191,378 |
| Adjusted earnings per share: | | | |
| | Pence | Pence | Pence |
| Basic earnings per share | 18.1 | 16.6 | 33.3 |
| Diluted earnings per share | 17.9 | 16.1 | 32.9 |

*Calculation of adjusted profit after tax:

| | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|---|---|--|--|
| Adjusted operating profit | 10,989 | 10,420 | 20,535 |
| Finance income | 339 | 229 | 679 |
| Finance costs | (435) | (501) | (1,205) |
| Adjusted profit before tax | 10,893 | 10,148 | 20,009 |
| Tax charge at the blended corporation tax rate of 24.2% (H1 2023: 25.9%) | (2,633) | (2,627) | (4,822) |
| Adjusted profit after tax | 8,260 | 7,521 | 15,187 |

8. Cash and cash equivalents

| | Six months ended 30 June 2024 (Unaudited) £000 | Six months ended 30 June 2023 (Unaudited) £000 | Year ended 31 December 2023 (Audited) £000 |
|--|---|---|---|
| Cash and cash equivalents – Group cash | 38,751 | 29,238 | 30,949 |
| Cash and cash equivalents – Client funds | 2,213 | 2,351 | 1,881 |
| | 40,964 | 31,589 | 32,830 |

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

Group cash at 30 June 2024 includes £10.0 million (June 2023: £nil) held in two fixed term deposit accounts of £5.0 million each, with maturity dates of 22 July 2024 and 22 August 2024.

9. Provisions

| (Unaudited) | Dilapid -ations £000 | Legal £000 | NIC on share options £000 | Other £000 | Total £000 |
|--|-------------------------------------|-----------------------|--|-----------------------|-----------------------|
| At 1 January 2023 | 706 | 351 | - | 40 | 1,097 |
| Assumed in business combination | 271 | 135 | - | 259 | 665 |
| Disposal of subsidiary | - | - | - | (138) | (138) |
| Increase in provision | 55 | 98 | - | - | 153 |
| Utilisation of provision | (57) | (43) | - | (8) | (108) |
| Provision reversed during the period | - | (149) | - | (34) | (183) |
| Gain on foreign currency fluctuations | (71) | (9) | - | - | (80) |
| At 30 June 2023 | 904 | 383 | - | 119 | 1,406 |
| Assumed in business combination | - | - | - | 134 | 134 |
| Increase in provision | 29 | 356 | 768 | - | 1,153 |
| Utilisation of provision | (72) | (28) | - | - | (100) |
| Provision reversed during the period | (83) | (140) | - | - | (223) |
| Loss/(gain) on foreign currency fluctuations | 1 | (1) | - | - | - |
| At 31 December 2023 | 779 | 570 | 768 | 253 | 2,370 |
| (Decease)/increase in provision | (17) | - | 87 | - | 70 |
| Utilisation of provision | (137) | (57) | - | - | (194) |
| Provision reversed during the period | (24) | (314) | - | - | (338) |
| Movement on foreign currency fluctuations | (1) | 1 | - | - | - |
| At 30 June 2024 | 600 | 200 | 855 | 253 | 1,908 |

| | At 30 June 2024 (Unaudited) £000 | At 30 June 2023 (Unaudited) £000 | At 31 December 2023 (Audited) £000 |
|-------------------------|---|---|---|
| Current liabilities | 742 | 869 | 1,481 |
| Non-current liabilities | 1,166 | 537 | 889 |
| | 1,908 | 1,406 | 2,370 |

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 NIC on share options provision is for the employer's NIC liability on share options that have vested (or the proportion that have vested). As employees are contractually responsible for the employer's NIC on any share options exercised, and are required to remit this sum to the Company prior to the share options being exercised, a corresponding asset is recognised in current assets. Other provisions include amounts for such items as restructuring and warranty provision.

10. Borrowings

| | At 30 June 2024 (Unaudited) £000 | At 30 June 2023 (Unaudited) £000 | At 31 December 2023 (Audited) £000 |
|-----------------------------|---|---|---|
| Current bank borrowings | 1,200 | 1,200 | 1,200 |
| Non-current bank borrowings | 11,164 | 12,348 | 11,756 |
| | 12,364 | 13,548 | 12,956 |

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

The Group has a Revolving Credit Facility ('RCF') with Lloyds Bank plc in order to provide additional capital resources to enable the execution of the Group's acquisition strategy. The RCF is for up to £25 million, with an additional £5 million accordion option, for a term of four years (commenced in December 2021) with a one-year extension. The RCF is in addition to the Group's existing term loan.

11. Lease liabilities

| | At 30 June 2024 (Unaudited) £000 | At 30 June 2023 (Unaudited) £000 | At 31 December 2023 (Audited) £000 |
|-------------------------------|---|---|---|
| Current lease liabilities | 678 | 754 | 626 |
| Non-current lease liabilities | 3,320 | 3,173 | 3,319 |
| | 3,998 | 3,927 | 3,945 |

Lease liabilities arise on properties leased by the Group. The leases have remaining periods of between 1 and 9 years from the balance sheet date.

12. Related party transactions

The Group provides support and services to its subsidiaries and made loans, all of which are eliminated on consolidation, and are therefore not disclosed.

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.

14. Subsequent events

There are no post balance sheet events to disclose.

Disclaimer Statement

This announcement contains forward-looking statements. These have been made by the Board in good faith based on the information available to them and it is believed that the expectations reflected in these statements are reasonable. However, due to the inherent uncertainties, including both economic and other risk factors underlying such forward-looking information, the Directors can give no assurance that these expectations will prove to be correct. Actual results may differ materially from those expressed or implied, and investors should not place undue reliance on any such forward-looking statements. Nothing in this announcement should be construed as a profit forecast, or a guide as to the performance, financial or otherwise of the Company whether in the current or any future financial year.

No representation or warranty is made as to the achievement or reasonableness of, and no reliance should be placed on such forward-looking statements. The forward-looking statements contained in this announcement speak only as of the date of this announcement. The Company undertakes no obligation to update or revise any information contained in this announcement, except as may be required by applicable law or regulation.

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- Ends -