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|  | **18 March 2020** |

**SCIENCE IN SPORT PLC**

(“Company” or “Group”)

**Final Results for the Year Ended 31 December 2019**

**Science in Sport plc** (AIM: SIS), the premium performance nutrition company serving elite athletes, sports enthusiasts and the gym lifestyle community, is pleased to announce its audited final results for the year ended 31 December 2019.

**HIGHLIGHTS**

* A 23% increase in Group revenue to £50.6m (2018: pro forma1 £41.0m, reported £21.3m), reflecting the first full year contribution of PhD and strong organic growth by both brands. PhD delivered record revenue growth of 23% (pro forma1), and the SiS brand delivered 24% revenue growth contributing to a 6-year 25% revenue Compound Annual Growth Rate (“CAGR”);
* Integration of PhD completed on time and in full including launch of PhD.com, new E-Commerce fulfilment operation and installation of protein powder line at the Nelson factory
* Online revenue, a key strategic focus for the Group, grew strongly up 36% to £16.4m (2018: pro forma1 £12.1m);
* Strategic markets of USA and Football grew 92% and 94% respectively, in line with expectations, to £3.9m in total;
* International Retail revenue up 41% to £12.3m (2018: pro forma1 £8.7m), with strong growth in existing markets in Europe and Asia, plus new territories including PhD launching in Saudi Arabia and SiS expanding into Latin America;
* Innovation-driven new products delivered 25% of total Group revenue growth and included PhD's vegan Smart Bar Plant, SiS’s Protein20 bars and the SiS Football range;
* Group gross margin of 44% (2018: 45% pro forma1) impacted by one-off items from inventory and global whey commodity pricing;
* Underlying operating loss2 of £0.3m (2018: loss of £2.7m) in line with growth strategy and market expectations, reflecting continued investment in brand awareness, e-commerce and international expansion;
* Cash and cash equivalents of £5.4m (2018: £8.0m) in line with market expectations; and
* Post period end the Group continues to perform in-line with expectations, with Covid-19 preparations having been in place for some weeks.

1pro forma revenue is compared with full year 2018 results for PhD and SiS brands as set out in the Financial Review

2excludes depreciation, amortisation, non-cash share-based payments, costs relating to the acquisition and integration of PhD Nutrition, IFRS 16 Lease payments and foreign exchange variances on intercompany balances (see Note 1)

**Stephen Moon, Science in Sport’s Chief Executive Officer, commented:**

“2019 was a transformational year for Science in Sport as we integrated the PhD business as planned and continued our strategic growth focus on e‐commerce and international, positioning the Group for the next stage of its growth.

Our preparations for Covid-19 disruption have been underway for several weeks and measures include buying sensitive raw materials, securing the supply chain operation, and remote working for commercial and operations staff. Costs are being managed very tightly and contingency plans are in place. We are well prepared to protect the Company and its workforce should the impact from Covid-19 become extended.”

**For further information:**

|  |  |
| --- | --- |
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**Notes to Editors**

**About Science in Sport plc**

Science in Sport plc is a leading sports nutrition business that develops, manufactures and markets innovative nutrition products for professional athletes, sports and fitness enthusiasts and the gym lifestyle community. The Company has two highly regarded brands: PhD Nutrition, a premium protein brand targeting gym lifestyle and sports enthusiasts, and SiS, a leading brand among elite athletes and professional sports teams.

The two brands are sold internationally through multiple retail channels, both traditional and online, including major supermarkets and high street chains, specialist sports retailers and e-commerce sites including Amazon and the brands' own websites.  Selling through multiple retail channels enables the Company to address the full breadth of the performance nutrition market currently estimated at approximately £11 billion worldwide.

PhD is one of the UK's leading protein brands with a reputation for high quality and product innovation. Since its launch in 2005, the brand has grown rapidly, based on its core protein powders. The range now comprises powders, bars, flapjacks, drinks and other products including the high protein, low sugar range, PhD Smart. PhD brand ambassadors include extreme fitness athlete Ross Edgley, rapper Bugzy Malone, WBA international champion Jordan Gill and Team GB Olympic sprinter Asha Philip.

SiS, founded in 1992, has a core range comprising gels, powders and bars focused on energy, hydration and endurance. SiS is the official sports nutrition supplier to many professional cycling teams and organisations including Team INEOS, British Cycling, Cycling Australia, USA Cycling and USA Triathlon. SiS supplies more than 100 professional football clubs in the UK and Europe and is an official partner to the Rock 'n' Roll Marathon Series. SiS brand ambassadors include Olympians Sir Chris Hoy MBE, Mark Cavendish MBE and Adam Peaty MBE.

Science in Sport is headquartered in London. Its shares joined the AIM market of the London Stock Exchange in August 2013 and trade under the ticker symbol SIS.

For further information, please visit [www.scienceinsport.com](http://www.scienceinsport.com)

**CHAIRMAN’S STATEMENT**

“2019 was a transformational year for the Group. We successfully integrated the commercial, operational and online elements of PhD, whilst delivering record revenue growth. Our strategy of investment in brand equity and science-led product innovation for both of our premium brands remains unchanged. Strategic routes to market are e-commerce and international and we have invested in both of these areas, to position the business to be a global leader in premium performance nutrition.

We are in uncertain times given the current Covid-19 crisis and the Board are working closely with the executive management team on contingency planning.”

**Overview**

We are delighted to announce another strong set of results for the year ended 31 December 2019. Group revenue was £50.6m, 23% ahead of the same period in 2018 on a pro forma basis1.

Underlying operating loss2 was £0.3m (2018: loss of £2.7m) in line with market expectations and reflected continued investment in our online and international businesses. Reported loss before tax was £5.1m (2018: loss of £6.0m).

Our cash position remains strong with a year-end balance of £5.4m (2018: £8.0m).

Our long-term priority continues to be further developing the e-commerce opportunity and seeking strong growth in international markets. Science-led innovation will continue to be a growth driver for the business.

We continue to see further margin improvement opportunities from supply chain optimisation following the integration of PhD and favourable channel and product mix.

The Board continues to be focused on building shareholder value through improving profitability and driving our strategic growth markets towards profitability.

Our strategy remains unchanged, focusing on science-led innovation, building brand equity, taking our share of e-commerce business and developing global markets.

**Our people**

The continued strength of the Group is due to the hard work and dedication of all the people who work for our PhD and SiS brands. I would like to thank them all for their contribution, especially for the commitment and focus they have shown throughout this year, during the integration of the PhD business and for delivering another sector leading performance.

This year we have strengthened the executive management team and senior leadership by attracting experienced talent from market-leading businesses to drive the next stage of our growth. In addition, we have continued to invest in existing employees who are being supported through professional training relevant to their functional areas, as well as other relevant role-specific training.

**Development of the Board**

It is the Board's task to ensure the Group is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that role, reducing risk and adding value to our business.

Since the period end the Company has appointed Roger Mather to the Board and nominated him as Chair of the Audit Committee. Tim Wright, an existing Board member, has been nominated as Chair of the Remuneration Committee.

The culture of the Group is to be entrepreneurial and innovative, always committed and striving for excellence, as our consumers do. Acting responsibly is critical to our business performance and the Group takes its obligations to act responsibly very seriously.

Further detail is included in the Corporate Social Responsibility section of the Annual report but some examples of actions taken to support our values this year include; our market leading banned substance testing programme, the significant investment in innovation and support provided to our employees to help them excel in their chosen sports.

JOHN CLARKE

Non-Executive Chairman

17 March 2020

**CHIEF EXECUTIVE'S REPORT**

**Strategic intent**

Our intent is for the Group to become the world's leading premium performance nutrition business through its PhD and SiS brands. This is underpinned by the following key principles and strategic actions:

* Continuing to drive growth for both brands through a science and innovation-led pipeline, including current and new technologies and formats;
* Developing the manufacturing facility and international logistics footprint to underpin market leading gross margins;
* Continued investment in building the equity in both the PhD and SiS brands to drive sales through increased awareness and usage;
* Developing our online business through a combination of our own proven e-commerce platform and key marketplace channels; and
* Extending our international presence in all major global markets, using an omni-channel approach to maximise the opportunity.

The Board believes there continues to be a significant growth opportunity, both organic and inorganic, to extend our existing product range and deliver synergies from our distribution, e-commerce and supply chain capabilities.

**Online**

Our PhD.com and scienceinsport.com e-commerce platforms are central to our growth strategy in our key domestic and international markets and we were pleased to deliver revenue of £10.1m, up 39% (pro forma1) compared with the previous year. Our new PhD.com e-commerce business launched online in the second half and had a strong finish to the year.

2020 will see PhD.com as a priority in the UK and we also intend to launch new sites for both of our brands in key markets including Germany and Italy. To support this growth, we have now completed a major recruiting campaign, which has seen an influx of new talent from leading brands including Heineken and Virgin Active.

Marketplace channels including Amazon and TMall are an integral part of our strategy and in some international markets are seen as the lead growth channel. Revenue was £6.2m for the year, 30% ahead of 2018 (pro forma1). A new Head of Marketplace joined the team in January 2020, and we will continue to recruit and develop talent to underpin our growth ambition for this channel.

**International**

Distributor serviced international markets grew 42% (pro forma1) to £12.3m in 2019. This included strong organic growth in existing markets for both brands, including PhD in the Middle East and China, and SiS in Europe. New markets opened up for PhD included Russia, Saudi Arabia and Turkey. SiS made inroads into the Middle East and several Latin American markets including Colombia and Brazil.

We continued to invest in our SiS brand in the USA and delivered 92% revenue growth year-on-year, with gross margin improving given the favourable channel and product mix. We made strong progress with our own e-commerce platform, our Amazon business and through retail distributors, this latter channel being important for awareness and product trial. During the year we carried out extensive consumer research to assess the potential for the PhD brand and this delivered highly promising data which we will act on in due course.

Our SiS businesses in Italy and Australia grew revenues by 66% and 46% respectively, again with progress made in e-commerce, Amazon and through running and cycling retail channels. The Australian business was breakeven in 2019 and we expect the Italian business to become profitable in 2020.

**UK Retail**

The retail environment continues to be challenging in our core market. Despite this, our success in delivering innovation and bringing our category presence to bear through our brand portfolio resulted in new distribution and strong organic growth in the grocery channel. Innovation and new distribution drove growth in Tesco and Sainsbury’s, while we gained new listings for PhD in Aldi and for SiS in Lidl.

We continued to develop our High Street business, with Holland & Barrett representing a major source of revenue for the Group. The third-party online channel was challenging, although given our focus on our own e-commerce platform and Amazon, this was expected.

Overall, revenue from our UK retail business grew by 8% (pro forma1), which was a pleasing result given the climate in the high street and independent channels.

**Football**

We continue to invest in this channel and believe it represents a long-term strategic initiative. As well as being official nutrition partners to Manchester United, Arsenal and Celtic, we sell products to more than 100 elite clubs across the UK, Europe and the USA. Our sisfootball.com e-commerce platform is also performing strongly, and overall revenue from our Football business grew 94% year-on-year.

**Supply Chain**

The integration of PhD into our supply chain was a major focus in the year. We opened a new e-commerce fulfilment facility to combine operations for both the PhD and SiS brands in June 2019 which is performing very effectively and delivering high levels of customer service. A new protein powder filling line was commissioned during November, on time and in line with cost estimates and we expect this project to payback in under 14 months.

Gross margin for the overall business was 44%, slightly down on 45% pro forma1 2018 margin. This was driven by one-off inventory costs, together with increased whey protein costs in the final months of the year. We remain positive on gross margin given we expect further manufacturing efficiencies and favourable channel and product mix benefits.

**Outlook**

We have planned for a further strong year of revenue growth in 2020 with innovation, e-commerce and international expansion being key drivers. With integration of the PhD and SiS brands complete, we expect to deliver further cost savings as a result of supply chain efficiencies.

**COVID-19 preparations**

At present trading is in line with expectations. While we are seeing sharply reduced revenue in Italy, China revenues have recovered in March and we have received strong forward orders. We are working with key customers to ensure their inventory protects the next weeks of consumer demand.

Preparations for Covid-19 related disruption have been in place for some weeks. Several months cover of certain sensitive raw materials are secured. Our Nelson manufacturing site and two third-party logistics operations have been isolated from each other and shift patterns in both operational units have also been separated, with cleaning processes taking place between shifts. Our office based teams in all functions, including e-commerce operations and customer service, have commenced a full work from home policy.

The situation is being monitored daily and management has developed contingency plans to protect the Company and its workforce should the impact from Covid-19 become extended.

STEPHEN MOON

Chief Executive Officer

17 March 2020

1pro forma revenue is compared with full year 2018 results for PhD and SiS brands as set out in the Financial Review

2excludes depreciation, amortisation, non-cash share-based payments, costs relating to the acquisition and integration of PhD Nutrition, IFRS 16 Lease payments and foreign exchange variances on intercompany balances (see Note 1)

**FINANCIAL REVIEW**

**Revenue**

The Group has continued to grow strongly during the year ended 31 December 2019, with revenue increasing 137% to £50.6m (2018: £21.3m) driven by the full year effect of the PhD acquisition. Pro forma revenue growth was 23%.

Revenue growth was achieved through a particularly strong performance across e-commerce, third-party online retailers and international channels and reflects the continued prioritised investment in these strategic channels. This investment resulted in these channels delivering 83% of revenue growth in the year.

**Gross margin**

The Group generated a gross profit of £22.2m (2018: pro forma £18.4m, reported £12.0m) achieving a gross margin of 44%, compared with 45% pro forma gross margin in 2018. Gross margin was slightly lower due to one-off inventory impacts and whey global commodity prices. The Group’s reported gross margin was 56% in 2018 however, this only included PhD results for part of December. Gross margin improvement is a key opportunity for the combined business through initiatives such as insourcing PhD protein manufacture and scale benefits in areas including purchasing and logistics.

**PhD Pro forma**

Pro forma comparatives are based on the 2018 full year results for PhD and SiS brands. PhD was acquired by SiS plc on 6 December 2018, consequently, results for PhD from acquisition date only are consolidated in these accounts.

For comparability pro forma full year figures for 2018 and 2019 for both PhD and SiS are shown below

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |  | **2019** |  | **2018 (unaudited)** |
| £'000 |  | **SiS** | **PhD** | **Total** |  | **SiS** | **PhD** | **Total** |
| Revenue |   | 24,601 | 25,972 | 50,573 |   | 19,813 | 21,161 | 40,974 |
| Cost of goods |   | (10,702) | (17,664) | (28,366) |   | (8,287) | (14,245) | (22,532) |
| **Gross Profit** |  | **13,899** | **8,308** | **22,207** |  | **11,526** | **6,916** | **18,442** |

**Underlying operating loss**

The underlying operating loss of £0.3m\* (2018: loss of £2.7m) reflects the ongoing investment in science and innovation, building brand equity, developing our e-commerce capability and international expansion. The operating loss is in line with market expectations. Loss from operations was £5.0m (2018: loss of £6.0m)

The Group's cost base and its resources have been, and will continue to be, tightly managed within budgets approved and monitored by the Board. If a growth opportunity is identified, then ex-plan investment will be approved.

The Group has chosen to report underlying operating loss as the Board believes that the operating loss before items such as depreciation, amortisation, non-cash share based payments and PhD acquisition related expenses provides additional useful information for Shareholders to assess cash profit performance. This measure is used for internal performance analysis. A reconciliation of underlying operating loss to loss from operations is presented in Note 1.

**Working capital**

As at 31 December 2019 the Group held inventory of £6.1m (31 December 2018: £7.1m). Inventory levels decreased, despite 23% pro forma revenue growth, due to improved working capital management. Trade and other receivables were £10.9m (31 December 2018: £8.9m).

**Cash position**

The cash balance as at 31 December 2019 was £5.4m (31 December 2018: £8.0m). During the year cash use primarily relates to investment in brand, new product development, working capital requirements, and the new in-house powder production line.

**Share based payments**

The Company operates both a Short Term Incentive Programme ("STIP") and a Long Term Incentive Programme ("LTIP"). Together, the Share Option Plan ("SOP") was approved by the Remuneration Committee in June 2014 in line with the proposal contained in the Company's AIM Admission document published in August 2013. A new LTIP scheme for financial years 2019-2021 is in place, though no options were granted in 2019 and consequently no charge has been recognised in the year. The Company has recognised a share based payment charge for the STIP scheme of £0.6m for the year (2018: £1.5m).

**Taxation**

The current tax charge is £Nil (2018: £Nil) due to the loss made in the year. The deferred tax charge of £0.5m (2018: £0.1m credit) is primarily due to an unprovided deferred tax asset on losses carried forward. The Group has estimated tax losses of £14.1m, which the Group will look to use to cover future profits.

**Losses and dividends**

The loss attributable to equity holders of the parent for the year was £5.6m (2018: £5.9m) and the basic and diluted loss per share was 4.6p (2018: loss of 8.2p). The payment of a dividend cannot be recommended due to negative retained earnings.

**Going concern**

The Group made a loss after tax for the year attributable to owners of the parent of £5.6m (2018: loss of £5.9m) and expects to make a further loss after tax in the year ending 31 December 2020.

The net decrease in cash and cash equivalents in the year ended 31 December 2019 was £2.6m (2018: £8.6m increase). As at 31 December 2019 the Group had cash balances of £5.4m (31 December 2018: £8.0m).

The Directors have prepared projected cash flow information for a period ending 31 December 2021.

We have enacted contingency plans to protect cash reserves as the priority in response to the Covid-19 coronavirus outbreak.

Accordingly, the Directors have a reasonable expectation that the Company will have sufficient cash to meet all liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**Consolidated statement of comprehensive income**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
|  |  | **Year**  | Year  |
|  |  | **ended**  | ended  |
|  |  | **31 December** | 31 December  |
|  |  | **2019** | 2018 |
|  | Notes | **£’000**  | £’000  |
|  |  |  |  |
| **Revenue** | 3 | **50,573** | 21,318 |
| Cost of goods |  | **(28,366)** | (9,363) |
| **Gross profit** |  | **22,207** | 11,955 |
| Operating expenses | 4 | **(27,252)** | (17,950) |
| **Loss from operations** | 5 | **(5,045)** | (5,995) |
| Finance income |  | ***4*** | *5* |
| Finance cost |  | **(23)** | - |
| **Loss before taxation** |  | **(5,064)** | (5,990) |
| Taxation | 6 | **(554)** | 115 |
| **Loss for the year** |  | **(5,618)** | (5,875) |
|  |  |  |  |
| **Other comprehensive income** |  |  |  |
| Cash flow hedges  |  | **(181)** | - |
| Exchange differences on translation of foreign operations |  | **67** | (125) |
| Income tax relating to these items |  | **33** | - |
| **Total comprehensive loss for the year** |  | **(5,699)** | (6,000) |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| **Loss per share to owners of the parent** |  |  |  |
| Basic and diluted – pence | 7 | **(4.6p)** | (8.2p) |

All amounts relate to continuing operations.

**Consolidated statement of financial position**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **As at**  | As at  |
|  |  | **31 December** | 31 December |
|  |  | **2019** | 2018 |
|  | Notes | **£’000**  | £’000  |
| **Assets** |  |  |  |
| **Non-current assets** |  |  |  |
| Intangible assets |  | **33,066** | 33,742 |
| Right of use assets |  | **689** | - |
| Property, plant and equipment |  | **1,771** | 1,033 |
| Deferred tax | 11 | **919** | 1,430 |
| **Total non-current assets** |  | **36,445** | 36,205 |
| **Current assets** |  |  |  |
| Inventories | 8 | **6,141** | 7,102 |
| Trade and other receivables | 9 | **10,927** | 8,939 |
| Cash and cash equivalents |  | **5,371** | 8,002 |
| **Total current assets** |  | **22,439** | 24,043 |
|  |  |  |  |
| **Total assets** |  | **58,884** | 60,248 |
| **Liabilities** |  |  |  |
| **Current liabilities** |  |  |  |
| Trade and other payables | 10 | **(9,954)** | (7,970) |
| Lease liabilities |  | **(164)** |  |
| Hire purchase agreement |  | **(77)** | - |
| Derivative financial liabilities |  | **(181)** | - |
| **Total current liabilities** |  | **(10,376)** | (7,970) |
|  |  |  |  |
| **Non-current liabilities**Lease Liabilities |  | **(530)** | - |
| Hire purchase agreement |  | **(309)** | - |
| Deferred tax | 11 | **(2,472)** | (2,461) |
| **Total non-current liabilities** |  | **(3,311)** | (2,461) |
|  |  |  |  |
| **Total liabilities** |  | **(13,687)** | (10,431) |
|  |  |  |  |
| **Net assets** |  | **45,197** | 49,817 |
| **Capital and reserves attributable to owners of the Parent company** |  |  |
| Share capital |  | **12,282** | 12,197 |
| Share premium reserve |  | **48,829** | 48,464 |
| Employee Benefit Trust reserve |  | **(193)** | (372) |
| Other reserve |  | **(907)** | (907) |
| Foreign exchange reserve |  | **(30)** | (97) |
| Cash flow hedge reserve |  | **(148)** | - |
| Retained deficit |  | **(14,636)** | (9,468) |
| **Total equity** |  | **45,197** | 49,817 |

These consolidated financial statements were approved and authorised for issue by the Board on 17 March 2020 and signed on its behalf by:

**Stephen Moon**

Director

***Company number 08535116***

**Consolidated statement of cash flows**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year** | Year  |
|  |  | **ended**  | ended  |
|  |  | **31 December** | 31 December  |
|  |  | **2019** | 2018 |
|  | Notes | **£’000**  | £’000  |
| **Cash flows from operating activities** |  |  |  |
| Loss for the financial year |  | **(5,618)** | (5,875) |
| ***Adjustments for:*** |  |  |  |
| Amortisation  |  | **2,129** | 555 |
| Amortisation of right-of-use asset |  | **156** | **–** |
| Depreciation |  | **489** | 371 |
| Taxation |  | **554** | (115) |
| Share based payment charge |  | **1,165** | 1,922 |
| **Operating cash outflow before changes in working capital** |  | **(1,125)** | (3,142) |
|  |  |  |  |
| Changes in inventories |  | **961** | (2,070) |
| Changes in trade and other receivables |  | **(1,988)** | (1,707) |
| Changes in trade and other payables |  | **2,072** | 503 |
| **Total cash outflow from operations** |  | **(80)** | (6,416) |
|  |  |  |  |
| **Cash flow from investing activities** |  |  |  |
| Purchase of property, plant and equipment |  | **(920)** | (519) |
| Purchase of intangible assets |  | **(1,453)** | (945) |
| Acquisition of subsidiary, net of cash acquired |  | **–** | (28,363) |
| **Net cash outflow from investing activities** |  | **(2,373)** | (29,827) |
|  |  |  |  |
| **Cash flow from financing activities** |  |  |  |
| Gross proceeds from issue of share capital |  | **–** | 27,920 |
| Principal repayments of lease liabilities |  | **(150)** | **–** |
| Interest paid on lease liabilities |  | **(24)** | **–** |
| Finance income |  | **(4)** | (5) |
| Share issue costs |  | **–** | (240) |
| **Net cash inflow from financing activities** |  | **(178)** | 27,675 |
|  |  |  |  |
| **Net decrease in cash and cash equivalents** |  | **(2,631)** | (8,568) |
| **Opening cash and cash equivalents** |  | **8,002** | 16,570 |
| **Closing cash and cash equivalents** |  | **5,371** | 8,002 |

**Consolidated statement of changes in equity**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Share capital** | **Share premium** | **Employee Benefit Trust reserve** | **Other reserve** | **Foreign exchange reserve** | **Cash flow hedge reserve** | **Retained deficit** | **Total equity** |
|  | **£’000** | **£’000** | **£’000** | **£’000** | **£’000** | **£’000** | **£’000** | **£’000** |
| **At 31 December 2017** | **6,683** | **22,339** | **(397)** | **(907)** | **28** | – | **(4,938)** | **22,808** |
|  |  |  |  |  |  |  |  |  |
| Total comprehensive loss for the year | – | – | – | – | (125) | – | (5,875) | (6,000) |
| **Transactions with owners** |  |  |  |  |  |  |  |  |
| *Issue of shares:* |  |  |  |  |  |  |  |  |
| -  Issued in return for sponsorship services | 57 | 368 | – | – | – | **–** | – | 425 |
| -  Placing | 4,840 | 24,197 | – | – | – | – | – | 29,037 |
| Transaction costs of placing | – | (1,357) | – | – | – | – | – | (1,357) |
| -   Consideration shares issued on acquisition of PhD | 583 | 2,917 | – | – | – | – | – | 3,500 |
| Issue of shares to EBT | 34 | – | (34) | – | – | – | – | – |
| Issue of shares held by EBT to employees | – | – | 59 | – | – | – | (59) | – |
| Share based payments | – | – | – | – | – | – | 1,404 | 1,404 |
|   |  |  |  |  |  |  |  |  |
| **At 31 December 2018** | **12,197** | **48,464** | **(372)** | **(907)** | **(97)** | – | **(9,468)** | **49,817** |
|  |  |  |  |  |  |  |  |  |
| Total comprehensive loss for the year | – | – | – | – | 67 | (148) | (5,618) | (5,699) |
| **Transactions with owners** |  |  |  |  |  |  |  |  |
| *Issue of shares:* |  |  |  |  |  |  |  |  |
| -   Issued in return for sponsorship services  | 85 | 365 | – | – | – | **–** | (450) | – |
| Issue of shares held by EBT to employees | – | – | 179 | – | – | – | (179) | – |
| Share based payments | – | – | – | – | – | – | 1,079 | 1,079 |
|   |  |  |  |  |  |  |  |  |
| **At 31 December 2019** | **12,282** | **48,829** | **(193)** | **(907)** | **(30)** | **(148)** | **(14,636)** | **45,197** |

**Notes to the consolidated financial statements**

**1. Accounting policies**

This final results announcement for the year ended 31 December 2019 has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRSs") as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies applied are consistent with those set out in the Science in Sport plc Annual Report and Accounts for the year ended 31 December 2019.

The financial information contained within this final results announcement for the year ended 31 December 2019 and the year ended 31 December 2018 is derived from but does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 have been filed with the Registrar of Companies and those for the year ended 31 December 2019 will be filed following the Company's annual general meeting. The auditors' report on the statutory accounts for the year ended 31 December 2019 and the year ended 31 December 2018 is unqualified, does not draw attention to any matters by way of emphasis, and does not contain any statement under section 498 of the Companies Act 2006.

**Use of non-GAAP profit measure – underlying operating loss**

The Directors believe that the operating loss before depreciation, amortisation, share based payments, IFRS 16, costs relating to the acquisition of PhD and the restructuring due to this acquisition, and intercompany balance retranslation variances as a measure provides additional useful information for Shareholders on underlying trends and performance. This measure is used for internal performance analysis. Underlying operating loss is not defined by IFRS and therefore may not be directly comparable with other companies’ adjusted profit measures. It is not intended to be a substitute for, or superior to IFRS measurements of profit.

A reconciliation of the underlying operating loss to statutory operating loss is provided below:

|  |
| --- |
|  |
|  | **2019****(£’000)** | 2018(£’000) |
| **Loss from operations** | **(5,045)** | (5,995) |
| PhD acquisition and integration costs | **637** | 599 |
| Share-based payment expense | **1,165** | 1,922 |
| Depreciation & amortisation | **2,774** | 926 |
| IFRS 16 lease payments | **(175)** | - |
| Foreign exchange variances on intercompany balances  | **297** | (161) |
| **Underlying operating loss** | **(347)** | (2,709) |

***IFRS 16 Leases***

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As permitted under IFRS 16 for leases previously classified as operating leases under IAS 17, The Group elected to

1. Rely on previous assessments as to whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
2. Apply the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.
3. Not to recognise lease liabilities for some leases of low value contracts.

**2.** **Segmental reporting**

Operating segments are identified on the basis of internal reporting and decision making. The Group’s Chief Operating Decision Maker (“CODM”) is considered to be the Board, with support from the senior management teams, as it is primarily responsible for the allocation of resources to segments and the assessments of performance by segment.

The Group's reportable segments have been split into the two businesses, SiS and PhD Nutrition. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM as described above. The reportable segments have changed from prior year (the segments in the prior year being Core, USA, Italy, Australia and Football are now shown as part of the SiS Segment disclosed below). In 2020 the Group’s segments are customer channel. The single largest customer makes up 9.2% of revenue and is not separately identified in segmental reporting.

The Board uses revenue, reviewed regularly, as the key measure of the segment’s performance.

|  |  |  |
| --- | --- | --- |
|   | **2019** | **2018** |
|   | **SiS** | **PhD** | **Total** | **SiS** | **PhD** | **Total** |
|   | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 |
| Sales | **24,601** | **25,972** | **50,573** | 19,813 | 1,505 | 21,318 |
| Gross profit | **13,899** | **8,308** | **22,207** | 11,526 | 429 | 11,955 |
| Advertising and promotions | **(5,978)** | **(1,961)** | **(7,939)** | (5,391) | (90) | (5,481) |
| Carriage | **(3,279)** | **(1,273)** | **(4,552)** | (1,988) | (75) | (2,063) |
| Trading contribution | **4,642** | **5,074** | **9,716** | 4,147 | 264 | 4,411 |
| Other operating expenses |  |  | **(14,761)** |   |   | (10,406) |
| Loss from Operations |   |   | **(5,045)** |   |   | (5,995) |

**3. Revenue from contracts with customers**

The group operates in four primary revenue channels. Management monitors revenue on this basis. E-Commerce is the phd.com and scienceinsport.com e-commerce platform, Export relates to customers out of the UK (that doesn’t relate to E-commerce or Market place), UK Retail includes the grocers and high street and Market place relates to Amazon and eBay platforms.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|   |   | **2019** |   |   | **2018** |   |
|   | **SiS** | **PhD** | **Total** | **SiS** | **PhD** | **Total** |
|   | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| E-Commerce | 8,657 | 1,513 | 10,170 | 6,362 | 37 | 6,399 |
| Export | 5,252 | 7,069 | 12,321 | 3,941 | 436 | 4,377 |
| Retail | 8,044 | 13,802 | 21,846 | 7,926 | 973 | 8,899 |
| Marketplace | 2,648 | 3,588 | 6,236 | 1,584 | 59 | 1,643 |
| **Total sales** | **24,601** | **25,972** | **50,573** | **19,813** | **1,505** | **21,318** |

Turnover by geographic destination of sales may be analysed as follows

|  |  |  |
| --- | --- | --- |
|  | **Year ended****31 December** **2019** | Year ended31 December2018 |
|  |  | **£’000** | £’000 |
|  |  |  |
| United Kingdom |  | **32,751** | 14,062 |
| Rest of Europe  |  | **9,174** | 3,849 |
| Australia |  | **1,416** | 755 |
| Rest of the World |  | **7,232** | 2,652 |
| **Total sales** |  | **50,573** | 21,318 |

**4.** **Operating expenses**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Year ended** **31 December 2019** | Year ended 31 December 2018 |
|  |  | **£’000**  | £’000  |
|  |  |  |  |
| Sales and marketing costs |  | **17,527** | 10,813 |
| Operating costs |  | **5,149** | 3,690 |
| Depreciation and amortisation |  | **2,774** | 926 |
| Share based payment charge (1) |  | **1,165** | 1,922 |
| Costs associated with integration of PhD (2) |  | **637** | 599 |
| Administrative expenses |  | **9,725** | 7,137 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Total operating expenses** |  | **27,252** | **17,950** |

1. Includes associated social security costs of £87,000 (31 December 2018 – £93,000) and consideration in respect of sponsorship services of £450,000 (31 December 2018 – £425,000).
2. Integration costs of PhD Nutrition into the Group amounted to £637,000 (2018 £599,000) this relates mainly to restructuring and the powder production line installation.

**5. Loss from operations**

|  |  |  |
| --- | --- | --- |
| Loss from operations is stated after charging: | **Year ended****31 December** **2019** | Year ended31 December2018 |
|  | **£’000** | £’000 |
|  |  |  |
| Amortisation of intangible assets | **2,129** | 555 |
| Amortisation of right-of-use assets | **156** | - |
| Depreciation of property, plant and equipment | **489** | 371 |
| Research and development costs | **232** | 320 |
| Grant income in respect of research and development tax credits | **(215)** | (60) |
| A&P/Marketing costs | **7,939** | 5,481 |
| Foreign exchange variances on intercompany balances  | **297** | (161) |
|  |  |  |

**6. Taxation**

|  |  |  |
| --- | --- | --- |
|  | **Year ended****31 December 2019** | Year ended31 December2018 |
|  | **£’000** | £’000 |
|  |  |  |
| **Current tax income** |  |  |
| United Kingdom corporation tax | **–** | – |
| Adjustment in respect of prior period | **–** |  (4) |
| **Total current tax income** | **–** |  (4) |
| **Deferred tax** |  |  |
| Effect of change in tax rates | **(100)** | **–** |
| Origination and reversal of temporary differences | **(454)** | 119 |
| **Tax on loss for the period** | **(554)** | 115 |

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

|  |  |  |
| --- | --- | --- |
|  |  |  |
| Loss before tax | **5,064** | 5,990 |
|  |  |  |
| Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018 – 19%) | **962** | 1,138 |
| **Effects of:** |  |  |
| Expenses not deductible for tax purposesUnprovided deferred tax asset on losses carried forward | **(6)****(1,482)** | (7)(575) |
| Additional deduction for R&D expenditure | **98** | (34) |
| Share scheme deduction | **(33)** | (147) |
| Effect of changes in tax rate  | **(100)** | (31) |
| Adjustment in respect of prior periods | **-** | (229) |
| Other | **7** | - |
| **Total tax credit for the period** | **(554)** | 115 |

**Tax on each component of other comprehensive income is as follows**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |  | **2019** |  | 2018 |
|   | **Before tax** | **Tax** | **After tax** | Before tax | Tax | After tax |
|   | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 |
|  |   |   |   |   |   |   |
| Loss recognised on hedging instrument  | **(181)** | **33** | **(148)** | - | - | **-** |
| Exchange gains on the translation of foreign operations | **67** | **-** | **67** | (125) | - | (125) |
| **Total** | **(114)** | **33** | **(81)** | (125) | - | (125) |

At 31 December 2019 UK tax losses of the Company available to be carried forward are estimated to be £14,117,000 (31 December 2018 – £10,100,000). In the deferred tax note (11) the recoverability of the deferred asset against future profits is assessed.

Deferred tax balances are valued at the rate of 19% in these accounts to the extent that timing differences are expected to reverse after this later date.

**7. Loss per share**

Basic and diluted loss per share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of Ordinary shares in issue during the period. The exercise of share options would have the effect of reducing the loss per share and is therefore anti-dilutive under the terms of IAS 33 ‘Earnings per share’.

|  |  |  |
| --- | --- | --- |
|  | **Year ended** | Year ended |
|  | **31 December** | 31 December |
|  | **2019** | 2018 |
|  |  |  |
| Loss for the year attributable to owners of the parent – £’000 | **(5,618),** | (5,875) |
| Weighted average number of shares | **122,716,318,** | 71,422,400 |
| **Basic and diluted loss per share – pence** | **(4.6p)** | (8.2p) |

The number of vested but unexercised share options is 6,080,901 (2018 – 5,428,949).

**8. Inventories**

|  |  |  |
| --- | --- | --- |
|  | **31 December****2019** | 31 December2018 |
|  | **£’000** | £’000 |
|  |  |  |
| Raw materials | **1,551** | 2,164 |
| Finished goods | **4,590** | 4,938 |
|  | **6,141** | 7,102 |

There is a provision of £131,000 included within inventories in relation to the impairment of inventories (31 December 2018 **–** £116,000). During the period inventories of £28,236,000 (year ended 31 December -2018 £9,094,000) were recognised as an expense within cost of sales.

**9. Trade and other receivables**

|  |  |  |
| --- | --- | --- |
|  | **31 December****2019** | 31 December2018 |
|  | **£’000** | £’000 |
|  |  |  |
| Trade receivables | **9,415** | 7,513 |
| Less: provision for impairment of trade receivables | **(51)** | (43) |
| Trade receivables – net | **9,364** | 7,470 |
| Other receivables | **517** | 480 |
| **Total financial assets other than cash and cash equivalents classified as amortised cost** | **9,881** | 7,950 |
| Prepayments and accrued income | **1,046** | 989 |
| **Total trade and other receivables** | **10,927** | 8,939 |

Trade receivables represent debts due for the sale of goods to customers.

Trade receivables are denominated in local currency of the operating entity and converted to Sterling at the prevailing exchange rate as at 31 December 2019. The Directors consider that the carrying amount of these receivables approximates to their fair value. All amounts shown under receivables fall due for payment within one year. The Group does not hold any collateral as security.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging.

The expected loss rates are based on the Group’s historical credit losses experienced over 2019, this is due to SiS using SAP which has provided more visibility over debtors. PhD has also looked at credit loss over the 2019 year as this is the first full year under SiS plc ownership. The historical loss rates are then adjusted for current and forward-looking information affecting the Group’s customers.

At 31 December 2019 the lifetime expected loss provision for trade receivables is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **31 December 2019** | **More than 60 days past due** | **More than 90 days past due** | **Total** |
|  |  |  |  |
| Expected loss rate (%) | 2% | 10% |  |
| Gross carrying amount (£’000) | 224 | 463 |  |
| **Loss provision (£’000)**  |  **5**  | **46**  |  **51** |
| 31 December 2018 |  |  |  |
| Expected loss rate (%) | 2% | 7% |  |
| Gross carrying amount (£’000) | 501 | 475 |  |
| **Loss provision (£’000)** |  **10** | **33** |  **43** |

**10. Trade and other payables**

|  |  |  |
| --- | --- | --- |
|   | **31 December** | 31 December |
| **2019** | 2018 |
|   | **£’000** | £’000 |
|   |  |   |
| Trade payables | **5,680** | 4,661 |
| Accruals | **3,354** | 2,631 |
| **Total financial liabilities measured at amortised cost** | **9,034** | 7,292 |
| Other taxes and social security | **920** | 678 |
| **Total trade and other payables** | **9,954** | 7,970 |

The Directors consider that the carrying amount of these liabilities approximates to their fair value.

All amounts shown fall due within one year.

**11. Deferred tax**

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (year ended 31 December 2018 – 19%). Details of the deferred tax asset and liability, amounts recognised in profit or loss and amounts recognised in other comprehensive income are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year ended 31 December 2019:** | **Asset** | **Liability** | **Net** | **(Charged)/ credited to profit or loss** | **(Charged)/ credited to equity** |
|   | £’000 | £’000 | £’000 | £’000 | £’000 |
|   |   |   |   |   |   |
| Accelerated capital allowances | - | (382) | (382) | (63) | - |
| Available losses | 761 | - | 761 | (564) | - |
| Other temporary and deductible differences | 507 | - | 507 | 84 | - |
| Business combinations | - | (2,472) | (2,472) | (11) | - |
| Cash flow hedges | 33 | - | 33 | - | 33 |
| **Net tax assets/ (liabilities)** | **1,301** | **(2,854)** | **(1,553)** | **(554)** | **33** |
| Set-off of tax | (382) | 382 | - | - | - |
|   |   |   |   |   |   |
| **Net tax assets/ (liabilities)** | 919 | (2,472) | (1,553) | (554) | 33 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year ended 31 December 2018:** | **Asset** | **Liability** | **Net** | **(Charged)/ credited to profit or loss** |
|  | £’000 | £’000 | £’000 | £’000 |
|  |  |  |  |  |
| Accelerated capital allowances | – | (319) | (319) | (206) |
| Available losses | 1,325 | – | 1,325 | 558 |
| Other temporary and deductible differences | 424 | – | 424 | (254) |
| Business combinations | – | (2,461) | (2,461) | 21 |
|  |  |  |  |  |
| Tax asset/ (liabilities) | 1,749 | (2,780) | (1,031) | 119 |
| Set-off of tax | (319) | 319 | – | – |
|  |  |  |  |  |
| **Net tax assets/ (liabilities)** | **1,430** | **(2,461)** | **(1,031)** | **119** |

*Recoverability of deferred tax asset:*

SiS (Science in Sport) Limited has a cumulative assessed tax loss of £14.1m as at 31 December 2019 , this has increased by £4m from 2018. The loss is split into pre 1 April 2017 losses of £4.2m and post 1 April 2017 losses of £9.9m. SiS will utilise its assessed tax losses in the coming years against future expected profits. Assessed losses from before 1st April 2017 can only be used against SiS (Science in Sport) Limited profit whereas assessed tax losses from after 1st April 2017 can be used to offset the future profits from SiS (Science in Sport) Limited and PhD Nutrition Ltd profits .

Tax losses have been recognised to the extent that they are considered recoverable based on short term forecast taxable profits.