Science in Sport plc

Annual report and accounts

Year ended 31 December 2019

Company number 08535116

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STRATEGIC REPORT

HIGHLIGHTS

Financial Highlights

- A 23% increase in Group revenue to £50.6m (2018: pro forma[1] £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 forma[1]), 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 forma[1] £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 forma[1] £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 28% 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 forma[1]) impacted by one-off items from inventory and global whey commodity pricing;

- Underlying operating loss[2] 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.

[1]pro forma compares to full year 2018 results for PhD and SiS brands (see page 16)

[2]excludes 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 1.9)

"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."

STEPHEN MOON

Chief Executive Officer

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS

£50.6 million revenue 2018: Pro forma[1] - £41.0m, reported - £21.3m Increase of 23% on pro forma, 137% on reported	**£22.2 million Gross profit** 2018: Pro forma[1] - £18.4m, reported - £12.0m
£0.3 million underlying operating loss[2] 2018: £2.7m	**£2.4 million Innovation revenue up 50%** 2018: £1.6m
£5.4 million cash and cash equivalents 2018: £8.0m	**Trustpilot ‘Excellent’ rating for both SiS and PhD brands based on over 30,000 reviews**

[1]pro forma compares to full year 2018 results for PhD and SiS brands (see page 16)

[2]excludes 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 1.9)

STRATEGIC REPORT

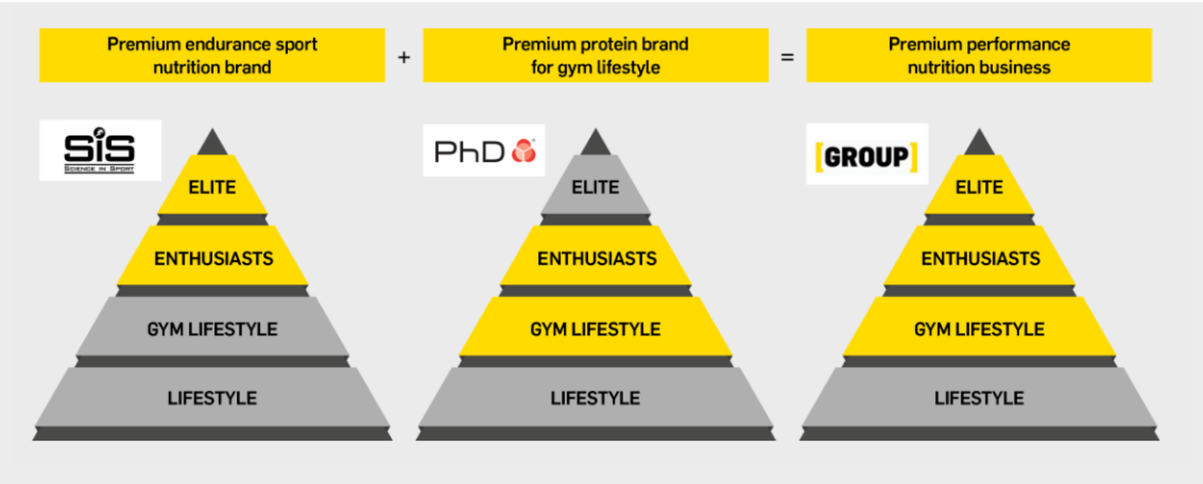
BUSINESS MODEL

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. They enable the Company to address the full breadth of the performance nutrition market currently estimated at approximately £10 billion worldwide.

Customer segments

PhD and SiS have highly complementary products ranges, operations and sales channels, and unrivalled expertise in differing categories and geographies. Combined, these leading brands create significant synergies, and the opportunity to leverage each others existing markets, and together further penetrate existing markets and conquer new markets. Our brands offer consumers an extended range of unbeatable products, helping to drive forward our ambition to be the world's #1 premium performance nutrition business.



Brands

SiS Science in Sport is a premium endurance sports nutrition brand. But above all else, it represents constant progression. A desire to continually improve, push boundaries, translate science to performance

- Premium endurance sport nutrition brand for professional athletes and sports enthusiasts;
- Unrivalled reputation of scientific innovation and banned substance control;
- Established presence in 80+ markets including the UK, USA, Italy, Australia, Russia and China;
- Strong online presence with established E-Commerce platform a strategic growth driver;
- Established third-party online partnerships include Amazon and TMall.

STRATEGIC REPORT

BUSINESS MODEL

PhD is a premium performance nutrition brand with a wide range of protein products and formats. Delivering performance nutrition that inspires and enables you to achieve your goals.

- Premium protein brand for gym lifestyle;
- Exceptional reputation for innovation and portfolio extension through sub brands;
- Established presence in 45+ markets including the Middle East and China;
- Strong retail presence through key retail partners;
- Growing E-Commerce platform and strong presence on Amazon and TMall.

Sales channels

The group operates four primary sales channels, which form the basis on which management monitor revenue. UK Retail includes domestic grocers and high street retailers, e-Commerce is sales through the phd.com and scienceinsport.com platforms, Export relates to retailers and distributors outside of the UK and Market place relates to the Amazon and eBay platforms.

We continue to invest in online channels in line with our strategic model. Total online revenue across e-commerce and marketplace grew from 30% in 2018 to 32% in 2019 on a pro forma full year basis.

Products for enhanced performance

SiS:

The SIS energy gel is the world's first isotonic energy gel, delivering energy fast, clinically proven to be absorbed more quickly in the gut, and with no need for added water. Using fully patented technology and manufactured in-house, the gels are our most profitable product. The gel range makes up 42% of SiS revenue (2018: 38%)

The range of SiS products includes:

- **Energy** – Bars, shots, gels and powders to give athletes energy
- **Hydration** – Gels, tablets and powders to keep athletes energised and hydrated
- **Recovery** – Powder range to aid athletes' recovery post-exercise
- **Rebuild** – Powders, gels and bars to build and maintain lean muscle mass
- **Athlete health** – Vitamins and supplements range designed to support and maintain immune function, digestive health and bone health amongst athletes

"I first started using SiS products in the mid-90s, and have used for three decades now, once I found a company that I trusted I stuck with them. I trust Science in Sport for their rigorous testing"
Sir Chris Hoy, Brand Ambassador

PhD:

The PhD Smart Range is made up of great tasting high protein, low sugar foods, bars and snacks. This includes the Smart Bar, an on-the-go protein hit, the multi-use Smart Protein suitable for cooking with, a ready-to-drink Smart Protein shake, and an oven-baked high protein flapjack, Smartjack.

STRATEGIC REPORT

BUSINESS MODEL

The range of PhD products includes:

- **Fat loss** High protein products like Diet Whey with additional ingredients such as CLA, green tea and L Carnitine
- **Muscle** Protein quality is vital to ensure muscle isn't lost during exercise; PhD performance nutrition has a superior range with delicious flavours
- **Strength & performance** Ingredients such as creatine, BCAAs, glutamine, caffeine, electrolytes, protein variants and vitamins and minerals, amongst many others are targeted towards naturally and safely enhancing your performance
- **Energy** Explosive energy or endurance. You decide your goals and PhD have the products to make the difference
- **Recovery** Protein, branch chain amino acids and various other active performance ingredients play a vital role in optimising recovery after exercise and throughout the day so you can go harder, faster and better the next day
- **Food & drink** PhD have a market leading range of protein and performance bars, ready-to-drink formulas and brand-new single serve squeezy smoothies, all developed with the serious athlete in mind, but equally ideal for the beginner
- **Natural Plant** proteins, superfoods, greens, wholefoods, naturally sourced polyphenols, nitrates and vitamins and minerals all play a huge part in optimising performance, which is why PhD have dedicated an entire range to them
- **Accessories** From hoodies to shakers, you'll find everything you need to make your life that bit easier

"I have been using PhD products now for 4 years. I chose them because they are intelligent and authentic and a perfect fit for me as an artist and athlete."
Bugzy Malone, Brand Ambassador

"I am beyond excited to be joining the PhD family as you can be the most physically gifted (or mentally resilient) human to ever pick up a barbell or lace up your trainers, but none of this will matter unless you're fuelled efficiently."
Ross Edgley, Brand Ambassador

Where we operate

We have offices in the UK, US, Italy, and the Middle East, and have customers in over 80 countries worldwide.

Revenue in our US business has increased by 92% year on year and we have seen an increase in gross profit margins due to favourable channel and product mix.

SiS Italy has increased revenue by 66% from the prior year and we expect this company to become profitable in 2020.

SiS Australia recorded 46% revenue growth and was profitable in 2019.

Our people and culture

Our people make our business and we attract and develop the best. Our teams are passionate about the brands, our customers, and the business. Performance matters to everyone. We have committed teams in all our locations and invest in training and development as well as opportunities to pursue individual and team sporting challenges, whatever they may be.

STRATEGIC REPORT

STRATEGIC MODEL

Proven strategic model drives long-term value

We invest in our proven strategic model to drive growth across both our PhD and SiS brands. The 5 strategic goals are illustrated below including details of how we drive them, and the impact in 2019:

1. **Performance Innovation:**

- Strong science and innovation-led product development
- New research laboratory and partnership with Liverpool John Moores University, a world recognised sports research centre of excellence
- Performance solutions support to England Women's Football Teams, Team INEOS Cycling and INEOS TEAM UK, Britain's entry in the 36th America's Cup yacht race
- 25% of 2019 revenue growth from new product innovation

2. **Brand experience**

- Market leading brand equity measures underpinning consistent, multi-year improvement in brand awareness, consideration and usage.
- SiS Partnerships with globally recognised leading sports teams such as Manchester United, Team Ineos, USA Cycling and events like Tough Mudder and Rock n Roll Marathon.
- Inspiring and relevant brand ambassadors such as cyclist Sir Chris Hoy, musician Bugzy Malone, swimmer Adam Peaty and Ross Edgley the first person to swim round the UK the World's longest staged sea swim
- Marketing investment up 22% year on year to nearly £8m in 2019, and new brand partnerships with Arsenal and Celtic signed

3. **Drive ecommerce growth**

- PhD.com platform is a strategic priority given global scale of protein product sector.
- Global Marketplace growth across Amazon, TMall and eBay platforms.
- Significant investment in people capability across digital marketing, trading and platform development.
- Online revenue, a key strategic focus for the Group, grew strongly up 36% in 2019 to £16.4million (2018: pro forma £12.0million)

4. **World Class Customer Experience**

- New E-Commerce fulfilment facility with increased operational efficiency
- Extended delivery reach and cut-off times plus enhanced customer service capability
- New US logistics provider with improved delivery solutions options
- 'Excellent' Trustpilot Scores for both PhD and SiS brands from over 30,000 reviews in 2019

5. **Efficient manufacturing**

- Patented gel manufacturing technology with world's only isotonic energy gel
- World class approach to banned substance testing with both Informed-Sport and Informed-Choice accreditations in place on our certified Nelson site.
- New protein powder production line live on plan at Nelson factory in November 2019

STRATEGIC REPORT

PHD INTEGRATION AND PERFORMANCE SOLUTIONS

PhD Integration completed

On 6th December 2018 we acquired PhD Nutrition, a transformational acquisition for the Group. During 2019 we completed the four integration goals in line with plan:

1. PhD.com relaunched on our Group online platform and increased investment committed
2. New E-Commerce fulfilment facility supporting UK and International online revenue growth with increased operational efficiencies
3. Integrated commercial team selling both brands across our UK and International Retail businesses
4. New protein powder production line live on budget and on time, increased efficiency from new infra-red blending technology and greater capacity driving margin savings

During the integration the PhD brand grew 23% ahead of the 6-year CAGR of 8% which PhD had previously achieved prior to acquisition.

Performance solutions

Performance Solutions builds on Science in Sport's world-leading sports nutrition by embedding dedicated SiS nutritionists in athletes' support teams to provide tailored nutrition strategies to meet individual athlete's complex and varying needs.

Three initial Partnerships: England Women's Football Teams, Team INEOS Cycling and INEOS TEAM UK, Britain's entry in the 36th America's Cup yacht race. represent three different endurance sports.

Dr James Morton, Professor of Exercise Metabolism at Liverpool John Moores, one of the world's leading academic institutes on sports science, is the new SiS Director of Performance Solutions, accessing the university's best-in-class sports laboratories to conduct research and create bespoke performance solutions.

"We are bringing a combination of academic rigour and world class practitioner skills to the frontline of elite sports. By bringing a performance first approach, we are going to help athletes get faster, stronger, fresher, smarter and, above all, hopefully contribute to winning. I'm excited about SiS making a difference to performances across multiple sports and seeing the performance solution methodology come to life."

Dr Morton, SiS Director of Performance Solutions,

STRATEGIC REPORT

CHAIRMAN'S REPORT

"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 basis[1].

Underlying operating loss[2] 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.

STRATEGIC REPORT

CHAIRMAN'S REPORT

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

[1]pro forma compares to full year 2018 results for PhD and SiS brands (see page 16)

[2]excludes 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 1.9)

STRATEGIC REPORT

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:

1. Continuing to drive growth for both brands through a science and innovation-led pipeline, including current and new technologies and formats;

2. Developing the manufacturing facility and international logistics footprint to underpin market leading gross margins;

3. Continued investment in building the equity in both the PhD and SiS brands to drive sales through increased awareness and usage;

4. Developing our online business through a combination of our own proven e-commerce platform and key marketplace channels; and

5. 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 forma[1]) 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 forma[1]). 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 forma[1]) 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 forma[1)], 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 forma[1] 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.

CHIEF EXECUTIVE'S REPORT

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

[1]pro forma compares to full year 2018 results for PhD and SiS brands (see page 16)

[2]excludes 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 1.9)

PRINCIPAL RISKS AND UNCERTAINTIES

In the course of its normal business, the Group is exposed to a range of risks and uncertainties, which could impact on the future results of the Group. The Board considers that risk management is an integral part of good business process and, on a quarterly basis, reviews the industry, operational and financial risks facing the Group and considers the adequacy of the controls and mitigations to manage these risks.

Internal Controls

The Group has an established framework of internal controls, the effectiveness of which is reviewed regularly by the Executive team, the Audit Committee and the Board as part of an ongoing assessment of significant risks facing the Group.

The Group's key risks (financial, operational and reputational) are recorded on a Business Risk Register and those risks together with their controls, mitigating and corrective actions are reviewed regularly by the Board. Risk is a standing agenda item for the Board and senior managers are required to review, identify and report on risks on an ongoing basis and review all key risks on a quarterly basis.

The key features of the Group's system of internal control are as follows:

- An ongoing process of risk assessment to identify, evaluate and manage business risks and opportunities;
- Comprehensive procedures for budgeting and planning and for monitoring and reporting to the Board business performance against plans;
- A consistent system of prior appraisal for investments overseen by the Chief Financial Officer and Chief Executive Officer;
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision- making and rapid implementation while minimising risk;
- Central control over key areas such as capital expenditure, authorisation and banking facilities;

The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available. Due to the size of the business there is no internal audit function. As part of the Group's review a number of non-financial controls covering areas such as regulatory compliance, business integrity, health and safety, risk management and business continuity have been assessed.

The Directors have identified the following principal risks and uncertainties that could have the most significant impact on the Group's long-term value generation.

PRINCIPLE RISK HEAT MAP

High	1	7	2 8		9
Impact		5			
					3
Low	6	4			
Low High			Likelihood		

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

RISK	RISK RATING	POTENTIAL IMPACT	MITIGATION CONTROLS
1 FOOD QUALITY & SAFETY Accidental or malicious ingredient contamination, or supply chain contamination caused by human error or equipment fault or due to manufacturing or design faults could compromise the safety and quality of SIS and PhD products.	2019 2018	The consequences could be severe and may include adverse effects on consumer health, loss of market share, financial costs and loss of revenue to SIS. A product recall may be required as a result, a subsequent product re-launch may not successfully return the relevant brand to its previous market position.	The Group's stringent approach to food quality and safety is controlled via quality assurance procedures which are based on a risk management approach. Internal systems are reviewed continuously and potential for improvement is monitored. The manufacturing facility at Nelson is subject to regular food safety and quality control audits. At the beginning of 2018 we enhanced our banned substance testing regime to ensure we remain best in class. The Group maintains product liability insurance cover to mitigate the potential impact of such an event.
2 COMMODITY PRICING RISK Movement in the commodity prices of raw materials and, in the case of imported raw materials and other goods, the value of Sterling against other currencies may have a corresponding impact on finished product cost.	2019 2018	Failure to manage the Group's exposure to price increase may adversely affect the Group's financial performance, through increasing production costs which cannot be mitigated through price increases.	The risk is mitigated by securing supplies in advance based on estimated volumes, thus ensuring greater price certainty. A hedging policy covering Euro purchases of our key finished product is now in place to reduce foreign exposure risk on purchases.
3 BREXIT IMPACT Risk to the import of raw materials and the export of finished goods following UK exit from EU on 31st January 2020	2019 2018	Delays at port may reduce availability of raw materials and disrupt production, and delay deliveries to the end consumer therefore impacting revenue and customer service. Tariffs may need to be absorbed therefore impacting profitability.	During 2019 a Brexit working group identified the major risks associated with leaving the EU. Where possible we put in place mitigating actions to reduce the potential impact to the business. Consequently, we have assessed the risk as medium (2018 High).
4 CUSTOMERS & CONSUMERS The Group operates in a competitive market sector and its ability to compete effectively requires an ongoing commitment to marketing, product development, innovation, product quality and ability to offer value for money as well as first-class customer service.	2019 2018	Although no single retailer accounts for more than 9% of Group revenue, the dominance of the large retail multiples and third-party e-commerce retailers could force an erosion of prices and, subsequently, profit margins.	Significant resources are devoted to forging strong relationships with customers. The continued move to Online also diversifies the revenue channels, and reduces key customer reliance. With the acquisition of PhD the relative size of the largest customers has decreased reducing risk.
5 TRADEMARKS AND IP The Group's success will depend in part on its ability to obtain and protect its trademarks both in the UK and internationally.	2019 2018	The Group cannot give definitive assurance that pending or future trademark applications will be granted or that trademarks granted will not be challenged or held unenforceable.	To mitigate this, the Group enters into non-disclosure agreements with employees, consultants and prospective commercial partners but cannot assure that such agreements will provide complete safeguards against unauthorised disclosure of confidential information.
6 PHD INTEGRATION Significant business-wide change being implemented following the acquisition of PhD.	2019 2018	Additional revenue and cost savings expected following the acquisition and will be impacted if there are delays in the integration programme, for example delay in PhD.com website launch.	PhD integration has been successfully completed with the powder line producing, PhD.com transitioned to Magento platform, Commercial teams merged and integrated web fulfilment facility opened.
7 FACTORY DISRUPTION The landlord is proposing to carry out remedial underpinning to rectify subsidence, which will cause a two-week break in gel production and require sectioning of the facility whilst work is completed.	2019 2018	There is a risk of overrun with building works and further disruption to production, which could result in supply chain delays and subsequent missed revenue.	Contractual obligations on the landlord to complete the works to plan, with liquidated damages for delays.
8 LIQUIDITY Ensuring the Group has sufficient cash reserves to	2019 2018 n/a	Consequences of insufficient liquidity could be severe if the group is not able to pay key suppliers and employees on time	Cashflow forecasts are prepared and reviewed by senior management, with all payments approved in advance. The Group adjusts investment levels as appropriate to maintain cash balances in line with forecasts. Credit facilities are in the process of being agreed with our banking provider.
9 COVID-19	2019 2018 n/a	We have assessed the business risk as high due to significant uncertainties and	Preparations for COVID19 related disruption have been in place for some

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

RISK	RISK RATING	POTENTIAL IMPACT	MITIGATION CONTROLS
COVID-19 coronavirus presents a significant global challenge		the potential high level of disruption to our employees, customers and supply chain at this early stage of the virus outbreak.	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. The manufacturing operation is stock building fast moving products such as SiS gels and PhD protein powders, while our contract partners are assisting us in stock building products such as PhD Smart Bar. Our office based teams in all functions, including e-commerce operations and customer service, have commenced a full work from home policy.

Key

Low

Medium

High

STRATEGIC REPORT

FINANCIAL REVIEW

This is the first full year reported following the acquisition of PhD Nutrition in December 2018.

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

FINANCIAL REVIEW

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 £0.6m (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.

FINANCIAL REVIEW

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.

JAMES SIMPSON

Chief Financial Officer

17 March 2020

STRATEGIC REPORT

CORPORATE SOCIAL RESPONSIBILITY

Acting responsibly is critical to our business performance and therefore, the Group takes its obligations to act responsibly very seriously.

Employees

Our employees are key Stakeholders and assets within the business and the Board closely monitors and reviews the results of employee engagement surveys as well as other feedback it receives to ensure alignment of interests.

The Executive Directors keep staff informed of the progress and development of the Group on a regular basis through formal and informal meetings.

Over the past year we have implemented a number of activities designed to enhance employee engagement and wellbeing, these include an informal forum across all UK locations, group bike rides and events for staff participation in sport.

We are Investor in People accredited and have a number of employees completing further education in their areas of expertise, for example, MBA, finance and supply chain qualifications.

The Group does not discriminate between employees and prospective employees on grounds of age, race, religion or gender. Every effort is made to provide the same opportunities to disabled persons as to others.

The Board recognises its obligation towards employees to provide a safe and healthy working environment. The Group complies with health & safety legislation conducting regular inspections and risk assessments.

Gender diversity

We are proud of our diverse workforce and believe it is vital to our success as a leading international sports nutrition business.

	Male	Female
Directors	5	-
Senior Managers	21	5
All employees	92	69

Suppliers

Our suppliers are key business partners and we maintain an open dialogue with all of our key suppliers. We aim to pay our suppliers on time according to our agreed credit terms.

During the year we have organised regular factory visits to foster understanding and collaboration. We operate with mutual confidentiality agreements in place and conduct open and two-way conversations with our biggest suppliers about our business and strategy.

The relationships we have with our European suppliers have played a key part in our Brexit planning.

Customers

As with any business, our customers are our key Stakeholders, and we work hard to improve our offering and customer service.

Our continued investment in our website has enhanced the customer experience and we continually collect and respond to customer feedback online. Customer feedback will play a key part in our Long Term Incentive Plan from 2019 onwards.

CORPORATE SOCIAL RESPONSIBILITY

We have also broadened our contact with key trade and retail partners and have organised regular factory visits for them, as well as visiting our International distribution partners around the world.

Preventing banned substances

The Science in Sport brand is trusted by professional and Olympic athletes in a range of sports across the world. A key component of this trust is our approach to preventing banned substances entering its supply chain and finished products. In line with this, Science in Sport is the only brand globally to hold both Informed Sport Site Certification and Informed Product Certification. Each year an internal review of the banned substance prevention regime takes place, and from January 2018 an upgraded system was implemented to continually improve and evolve the controls and systems within the Company. The Company regime is built on the following pillars:

- Every single batch of Science in Sport finished product which leaves the Company's factory is screened against the World Anti-Doping Agency ("WADA") list. Banned substances including steroids are tested to the level of 10 Nanograms per gram, and stimulants to 100 Nanograms per gram.
- Batches (sampled at the beginning, during and end of each product batch) receive the recognised and respected Informed Sport certificate. Finished product testing is the final and most effective step that we have to ensure product assurance.
- Raw material batch testing, in addition to testing on finished goods, for any product deemed 'high-risk'.
- Full trace management of all raw materials from raw material base and manufacturing supplier, through to finished goods manufactured per production batch. This allows the Company to demonstrate to athletes the source of ingredients and all parties involved in the manufacturing process.
- Rigorous screening of all ingredient suppliers, including annual auditing. All suppliers are required to be certified to a recognised Quality Management system that is approved by The Global Food Safety Initiative.
- In-house product screening within the Company's production facility in Nelson, Lancashire, including swab testing for banned substances, and surprise third-party inspections throughout the year.

STRATEGIC REPORT

BOARD ENGAGEMENT WITH OUR STAKEHOLDERS

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report, the rest of the Company's Corporate Governance Statement, and the Corporate Social Responsibility Report.

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172.

Stakeholder engagement

Key stakeholder groups which we've identified are listed below, with why we focus on them and how we engage them

Employees

The continued strength of the Group is the hard work and dedication of all the people who work for PhD and Science in Sport. 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.

The Executive Directors keep staff informed of the progress and development of the Company on a regular basis through formal and informal meetings and regular communications. In addition, we fund regular team events to encourage employee participation in sport.

Customers

As with any business, our customers are our key stakeholders, and our key strategic model investments in product innovation and customer service are designed to improve our customers' experience.

We constantly invest in our website to improve our customer proposition, and we collect and respond to online customer feedback continually to improve our offer. We have also broadened our contact with key trade and retail partners and have organised regular factory visits for them, as well as visiting our International distribution partners around the world

Suppliers

Our suppliers are key business partners, and the quality of raw materials and services we receive are essential to maintain our premium product position.

During the year we have organised regular factory visits to foster understanding and collaboration. We operate with mutual confidentiality agreements in place and conduct open and two-way conversations with our biggest suppliers about our business and strategy.

Investors

Investor are a key stakeholder for the future success of the Group, and consequently investor relations are a key focus area for the Directors.

The Board regularly engages investors on Group performance following trading updates and results announcements with face to face meetings and scheduled calls. Investors are kept regularly up to date with strategy presentations, and an open invitation to visit the factory was accepted by several investors during the year.

STRATEGIC REPORT

BOARD ENGAGEMENT WITH OUR STAKEHOLDERS

Decision making

We set out below two examples of how the Directors have had regard to the matters set out in section 172(1)(a)-(f) when discharging their duties under section 172 and the effect of that on certain decisions taken by them. In addition to stakeholders discussed above, the impact on the Environment and Community in which the group operates was considered, although, given the size and nature of the Company's operations, the ongoing impact of the Company's operations on the local community and the environment is not considered to be significant.

The board considered impacts and potential conflicts between these stakeholder groups in reaching a decision and sought to act fairly by balancing these different agendas in the context of its duty to act to the overall benefit of its members.

Web fulfilment centre

The decision was taken to improve the customer delivery experience by opening a dedicated fulfilment centre. The additional employees required to run the facility were recruited from the local community. An existing building located next to the factory was selected to reduce the environmental impact from a greenfield site and to reduce the environmental impact of additional transportation. Key investors were informed of the opening of the facility and given an opportunity to visit the site, which some have already accepted.

Powder production

The decision was made to produce protein powder in-house as a source of competitive advantage in line with the group strategy communicated in the Strategic Report. Training was provided in operating the new machinery to employees who all live in the local area. Producing powder in-house reduces road miles moving product from third party manufacturers to the warehouse with an associated environmental benefit. The adverse impact on terminating the existing manufacturers relationship was considered, however on balance the strategic advantage secured and cost savings from the decision was assessed to benefit the members of the company as a whole. Key investors were kept updated on project progress and given an opportunity to visit the line once operational which some have already accepted.

The decisions reached by the board in both instances are considered consistent over both a short and long-term perspective, and in line with the group's communicated strategy to drive online revenue growth and leverage manufacturing and as a competitive advantage.

GOVERNANCE

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements for the year ended 31 December 2019.

Certain information that fulfils the requirements of the Directors' report can be found elsewhere in this document and is referred to below. This information is incorporated into this Directors' report by reference.

As at the date of signing this report, Science in Sport plc has five wholly owned subsidiaries. A complete list is provided in Note 4 to the Parent Company financial statements on page 82.

Future developments

The Strategic report and the Chairman and Chief Executive reports cover the Group's performance during the year ended 31 December 2019, its position at that date and its likely future development.

Board of Directors

The Board of Directors has overall responsibility for the Company.

The Directors of the Company during the year and up to the date that the financial statements were approved are shown below.

Executive Directors

S N Moon

EJ Lake (resigned 10th September 2019)

J L Simpson (appointed 26th September 2019)

Non-Executive Directors

J M Clarke

T Wright

R Duignan (resigned 31st January 2020)

R Mather (appointed 31st January 2020)

Details of Directors are included on pages 31 to 32.

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a Directors' and officers' liability insurance policy throughout the financial year.

Details of each Directors' interests in the Company's Ordinary shares and options over Ordinary shares are set out in the Remuneration report on pages 34 to 37.

Dividends

No dividends were paid and none proposed (31 December 2018 – £nil).

Financial risk management

The Group's risk management policies can be found in Note 2.

DIRECTORS' REPORT

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position, are set out in the Strategic report. The risks that the business faces in the coming year, including the current economic climate, Covid19, and the mitigating actions which address these risks are set out in pages 13 to 15.

As at 31 December 2019, the Group had cash balances of £5.4m (2018: £8.0m). The net decrease in cash and cash equivalents in the year ended 31 December 2019 was £2.6m (2018: £8.6m decrease). 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 Directors have reviewed the Group's budgets and projected cash flow forecasts for the period to 31 December 2021 and in doing so considered reasonable, possible changes over the forecast period. The review considered the forecast operating cash flows generated, cash flow implications of the Group's strategic plans and the forecast impact of the Covid-19 pandemic on demand. Management have enacted contingency plans to protect cash reserves and have identified spend reductions to offset reasonably possible reductions in revenue if needed.

Accordingly, the Directors have a reasonable expectation that the Company will have sufficient cash to meet 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.

Employee Benefit Trust Shares

The Company issued no £0.10 Ordinary shares to the Employee Benefit Trust (2018: 342,129) to satisfy the provision of the share scheme (see note 20).

Share Capital Structure

Details of changes in the Company's share capital are disclosed in note 19 of the financial statements.

Substantial shareholdings

As at 31 December 2019, the following Shareholders own more than 3% of issued share capital of the Company:

Shareholder	**Number of shares**	**Percentage holding %**
Tellworth Investments	16,736,985	13.63
Legal & General Investment Management	13,229,475	10.77
Aviva Investors	13,000,032	10.58
JO Hambro Capital Management	10,130,000	8.25
Otus Capital Management	7,554,693	6.15
Downing	6,819,809	5.55
PhD Acquisition Bidco Limited	5,833,334	4.75
River & Mercantile Asset Management	5,220,000	4.25
Premier MIton Investors	4,251,481	3.46
Baillie Gifford & Co	3,788,336	3.08

DIRECTORS' REPORT

Auditors

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

BDO LLP has indicated its willingness to continue in office and a resolution will be proposed at the annual general meeting to reappoint BDO LLP as auditor for the next financial year.

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under Company law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- state whether the Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual report and the financial statements are made available on a website. Financial statements are published on the Company's website, www.scienceinsport.com, in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other

DIRECTORS' REPORT

jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

STEPHEN MOON

Chief Executive Officer

17 March 2020

GOVERNANCE

CORPORATE GOVERNANCE REPORT

Chairman's introduction to Corporate Governance

It is the Chairman of the Board of Directors of Science in Sport plc responsibility to ensure that SiS has both sound corporate governance and an effective Board. The Chairman's principal responsibility is to ensure that the Company and its Board are acting in the best interests of shareholders. This is done by ensuring that Science in Sport is managed for the long-term benefit of all shareholders, with all members of the Board able to contribute to discussions and decision-making. Corporate governance is an important part of that role, reducing risk and adding value to our business.

Other responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, making sure that good information flows freely between Executives and Non-Executives in a timely manner, and for ensuring that all important matters, in particular, strategic decisions, receive adequate time and attention at Board meetings.

Our values are based on science, innovation and quality, and translate into everything we do for our customers, people, suppliers and shareholders. Our culture supports the Company's objectives to grow the business through athlete customer acquisition and retention in key strategic markets globally.

SiS adopted the Quoted Companies Alliance Corporate Governance (QCA Code) in September 2018. This report follows the QCA Code guidelines and explains how we have applied the guidance.

The Board recognises the importance of good corporate governance and considers that a strong corporate governance foundation is essential in delivering shareholder value through long-term success and performance. The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running our business, including a commitment to open and transparent communications with stakeholders. The QCA Code has ten principles that companies should look to apply within their business. SiS seeks to adhere to these principles to the highest level possible.

Set out below is an explanation of how the Company currently complies with the principles of the QCA Code and, to the extent applicable, those areas where the Company's corporate governance structures and practices differ from the expectations set out in the QCA Code. Further details can also be found on the Company's website (www.sisplc.com/about-us/corporate-governance/).

The Board believes that application of the QCA Code supports the Company's medium to long-term development whilst managing risks, as well as providing an underlying framework of commitment and transparent communications with stakeholders. It also seeks to develop the knowledge shared between the Company and its stakeholders.

Strategy and Risk Management

A description of the Company's business model and strategy can be found on page 3, and the key challenges in their execution can be found on pages 13-15.

GOVERNANCE

CORPORATE GOVERNANCE REPORT

Board of Directors

The Board is led by the Non- Executive Chairman, John Clarke, and comprises, two additional Non-Executive Directors, both of whom are independent, and two Executive Directors.

The Non – Executive Chairman, John Clarke owns shares in the Company and is a participant in the Group's Long Term Incentive Plan as detailed in the Remuneration Report. The Board are satisfied that he remains impartial.

The effectiveness of the Board is kept under review by the Chairman who has been assessing the individual contributions of each of the members of the team to ensure that; their contribution is relevant and effective, they are committed and where relevant, they have maintained their independence.

Board performance is reviewed on an ongoing basis as a unit to ensure that the members of the board are collectively functioning in an efficient and productive manner.

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of FMCG, finance, corporate finance, international trading, and marketing. In addition to their general Board responsibilities, Non- Executive Directors are encouraged to be involved in specific workshops, meetings or seminars in line with their individual areas of expertise. All Directors are encouraged to challenge and to provide independent judgement on all matters, both strategic and operational.

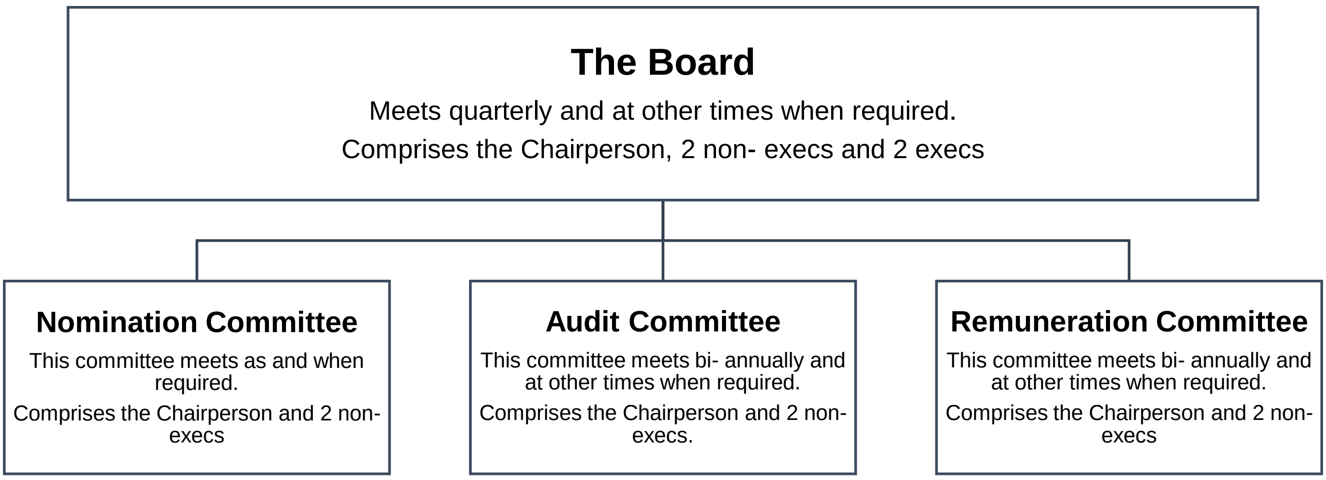
The Board seeks guidance from external advisors when appropriate such as financial and legal due diligence on potential acquisitions. In addition, the Board consults regularly with its Nominated Advisors and retained advisers for MAR and company secretarial support.

Changes to Board of Directors

On 1 October 2019, the Company announced that Raymond Duignan, Non-Executive Director and the Company's Audit Committee chair, intended to step down from the Board once a new Non-Executive Director had been appointed. Following the announcement of the appointment of Roger Mather as Non-Executive Director and the Company's Audit Committee chair on 31st January 2020, Raymond stepped down from the Board with immediate effect.

In a further change to Board committees, existing Non-Executive Director Tim Wright will become chair of the Company's Remuneration Committee.

Board Governance Framework



CORPORATE GOVERNANCE REPORT

Board responsibility

The Board is responsible for maintaining a sound system of internal control to safeguard Shareholders' investment and the Company's assets, as well as reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material loss and misstatement.

Audit Committee

The Audit Committee consists of the Chairman and the non-executive Directors. It was chaired by Raymond Duignan until 31st January 2020, when Roger Mather became Chair, and it meets at least twice each year. Roger brings considerable experience to the role having been CFO of Mulberry plc for 8 years and in his current role as Audit Chair at another AIM listed business.

The Audit Committee is responsible for ensuring that the financial performance of the Company is properly reported on and monitored and for meeting with the auditors and reviewing the reports from the auditors relating to accounts and internal control systems. The audit committee meets at least once a year with the auditors.

The Audit Committee report is on page 31.

Nominations Committee

The Nominations Committee consists of the Chairman and the Non-Executive Directors. It is chaired by John Clarke and meets as required.

The Nominations Committee is responsible for reviewing the structure, size and composition of the Board, making recommendations to the Board with regard to any changes and identifying and nominating candidates to fill Board vacancies.

Remuneration Committee

The Remuneration Committee consists of the Chairman and the Non-Executive Directors. It was chaired by John Clarke until 31st January 2020, when Tim Wright became Chair, and it meets as required, at least twice during the year.

The committee reviews the performance of the executive Directors and sets and reviews the scale and structure of their remuneration and the basis of their remuneration and the terms of their service agreements with due regard to the interests of Shareholders. In determining the remuneration of executive Directors, the remuneration committee seeks to enable the Company to attract and retain executives of the highest calibre. The remuneration committee also makes recommendations to the Board concerning the allocation of share options to employees.

The Remuneration Committee report is on page 34-37.

CORPORATE GOVERNANCE REPORT

Attendance

Directors are required to devote such time and effort to their duties as required to secure their proper discharge. For Non- Executive Directors, this typically entails one or two days of meetings per month as well as reading and preparation time. A full pack of management information is provided to the Board in advance of every meeting. Each Executive Director has a full- time service agreement.

Directors attendances at meetings of the Board and its Committees during 2019 were:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
John Clarke	4/4	2/2	2/2	2/2
Raymond Duignan	4/4	2/2	2/2	2/2
Tim Wright	4/4	2/2	2/2	2/2
Stephen Moon	4/4	-	-	-
James Simpson	2/2	-	-	-
Elizabeth Lake	2/2	-	-	-

Key Board activities this year included:

- Continued and open dialogue with the investment community;
- Considering financial and non- financial policies;
- Discussing strategic priorities;
- Discussing internal governance processes;
- Reviewing the Business Risk Register.

Relationship with Shareholders

The Directors seek to build a mutual understanding of objectives between the Company and its Shareholders. The Company reports formally to Shareholders in its Interim and Annual reports, setting out details of its activities. In addition, the Company keeps Shareholders informed of events and progress through the issue of regulatory news in accordance with the AIM rules of the London Stock Exchange. The Chief Executive seeks to meet with significant Shareholders following interim and final results. The Company also maintains investor relations pages and other information regarding the business, its products and activities on its website www.sisplc.com

The Annual report is made available to shareholders on the website at least 21 working days before the Annual General Meeting. Directors are required to attend the Annual General Meetings of the Company unless unable to do so for personal reasons or due to pressing commercial commitments. Shareholders are given the opportunity to vote on each separate issue. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

Employees

Other statutory disclosures required by the Strategic report, as detailed on page 19, report on the involvement of employees in the affairs, policy and performance of the Company.

Environmental, social and community matters

Given the size and nature of the Company's operations, the impact of the Company's operations on the local community and the environment is not considered to be significant. Recycling of office supplies is undertaken where possible.

GOVERNANCE

BOARD OF DIRECTORS

John Clarke
Independent Non- Executive Chairman

John Clarke became Non-Executive Chairman in June 2013. John has extensive experience of the functional food and sports nutrition sectors, having worked at GlaxoSmithKline for more than 35 years. John was global President of GSK Consumer Healthcare from 2006 to 2011, and was a member of GlaxoSmithKline plc Corporate Executive Team until March 2012.

Under John's leadership from 2006 to 2011 GSK Consumer Healthcare was the fastest-growing business in the industry, growing by 60% and reaching revenue of £5 billion despite recessionary environments in the majority of the business' markets. The business added £2 billion in turnover from 2006. Mr Clarke was responsible for the Lucozade brand including strategy, innovation programme, portfolio and global expansion for 15 years from 1996 to 2011, Lucozade achieved growth of 13% CAGR throughout this period.

Tim Wright
Independent Non- Executive Director

Tim Wright, has spent much of his career with GlaxoSmithKline ("GSK"), working in the consumer healthcare sector of the Company from 1982 to 2011. In his last 5 years at GSK, Tim was President of GSK's Global Brands, where he drove market leading revenue growth through world class marketing and innovation. After leaving GSK in 2011, Tim was appointed as President to Zarbee's Naturals, a privately-owned natural medicine business. His role up to 2013 was to help establish the Company's brand and quickly grow the newly formed business from $3 million to $18 million. In 2014, Tim set up his own business, StepChange Strategy, which aims to create shareholder value for start-up and multinational consumer healthcare companies, by focusing on brand strategy, innovation and geographic expansion. In 2015 Tim acquired, and now runs, Embrace Hearing.

Roger Mather
Independent Non-Executive Director

Appointed 31st January 2020

Roger has broad business experience gained first in audit at PwC, in London and Hong Kong, and then in executive positions in consumer and distribution businesses in the UK, Asia Pacific and North America. He was Chief Financial Officer of Mulberry Group plc, the AIM-quoted fashion brand and manufacturer, from 2007 to 2016, a period of rapid growth at Mulberry during which time he established international revenue channels and implemented the business's digital strategy. Prior to Mulberry, he worked for more than 10 years at Otto Group, a privately owned multi- national distribution business, first as Group Finance Director of the sourcing division based in Hong Kong and then as Managing Director of a UK division. From 2017, Roger has focused on non-executive and part-time roles. He is currently a Non-Executive Director of Quiz plc, the AIM-quoted omni-channel fast fashion brand, and chair of its audit and remuneration committees. He is also a pro bono director of The Berkshire Golf Club Limited and of Beaudesert Park School Limited.

Stephen Moon
Chief Executive Officer

Stephen had an extensive corporate career with BP, Dalgety, Quaker and GlaxoSmithKline. He has held a wide range of functional roles in his career including supply chain, strategic project management, strategy planning, innovation and business development. At GSK he was Strategy Planning and Worldwide Business Development Director for the Nutritional Healthcare Division. He has an MBA from Ashridge Business School and a diploma in Clinical Organisational Psychology from INSEAD. After founding a functional food start-up in 2003, he later became CEO of Provexis PLC and Science in Sport PLC was spun-out from this company in August 2013.

GOVERNANCE

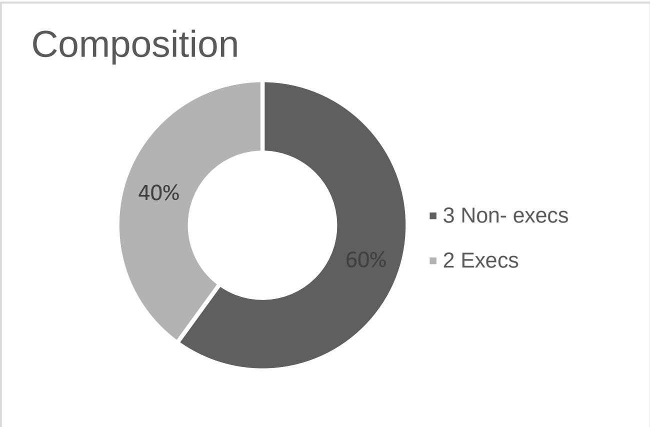
BOARD OF DIRECTORS

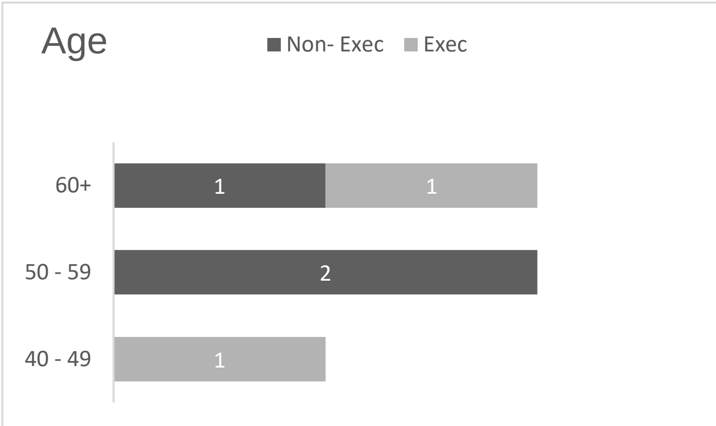
James Simpson
Chief Financial Officer

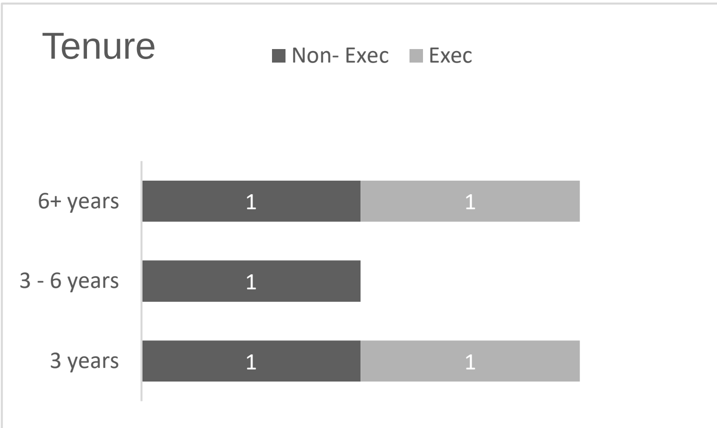
Appointed 26th September 2019

James is an experienced finance executive who qualified as a chartered accountant with Price Waterhouse in 1998, he has a track record in the e-commerce and consumer sectors in international branded businesses such as Cadbury Schweppes, L'Oreal and Shell, and has held senior finance roles at Tesco, Britvic, and Asos.

Board diversity







GOVERNANCE

AUDIT COMMITTEE REPORT

Audit Committee: composition and terms of reference

The Audit Committee comprises two Non-Executive Directors and from 31st January 2020 has been chaired by Roger Mather. It meets as required and specifically to review the Interim report and Annual report and to consider the suitability and monitor the effectiveness of the internal control processes. There were two Audit Committee meetings during the year. The Audit Committee reviews the findings of the external auditors and reviews accounting policies and material accounting judgements.

Activities in the year

During the year, the Committee concluded that the Annual Report and Financial Statements, taken as whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's business model, strategy and performance. During the year, the Committee considered the following key matters:

- the adequacy of accounting and disclosures in respect of PhD Nutrition and in particular the impairment review of goodwill and separately identifiable intangibles;
- the implementation of IFRS 16 Leases;
- the consistency of accounting policies on a year- on year basis and across the group following the acquisition of PhD;
- the appropriateness of the application of the going concern basis in preparation of the financial statements following a review of forecasts to December 2021.

The Committee received and considered reports from the Auditor in respect of the audit plan for the year and the results of the annual audit. These reports included the scope of the audit, the approach to be adopted to address key audit matters, the basis on which the Auditor assesses materiality, the terms of engagement for the Auditor and an on-going assessment of the impact of future accounting developments for the Group.

Independence of Auditors and non- audit services

The independence of the Auditors is considered by the Audit Committee. The Audit Committee meets at least twice per calendar year with the Auditors to discuss their objectivity and independence.

As well as providing audit-related services the Auditors have, provided taxation compliance, and share option scheme advice and in the prior year corporate finance services. The fees in respect of the non-audit services provided were £42,000 for the year (2018 – £144,000). 2018 non-audit fees included £107,000 for corporate finance services on the acquisition of PhD Nutrition in December 2018. The Audit Committee have considered the non-audit fees agreed with BDO LLP and are satisfied that the objectivity and independence of the Auditors is safeguarded.

ROGER MATHER

Chairman of Audit Committee

17 March 2020

REMUNERATION COMMITTEE REPORT

Remuneration Committee: composition and terms of reference

The Company's Remuneration Committee since the date of Admission to AIM comprises at least two Independent Non-Executive Directors and is chaired by Tim Wright who was appointed as Chairman on 31st January 2020.

The purpose of the Remuneration Committee is to ensure that the Executive Directors are fairly rewarded for their individual contribution to the overall performance of the Group. The Committee considers and recommends to the Board the remuneration of the Executive Directors and is kept informed of the remuneration packages of senior staff and invited to comment on these.

Policy on Executive Directors' remuneration

Executive remuneration packages are designed to attract and retain executives of the necessary skill and calibre to run the Group successfully but avoiding paying more than is necessary. Direct benchmarking of remuneration is not possible given the specialised nature and size of the Group. The Remuneration Committee recommends to the Board remuneration packages by reference to individual performance and uses the knowledge and experience of the Non-Executive Directors and published surveys relating to AIM Directors, and market changes generally. The Remuneration Committee has responsibility for recommending any long term incentive schemes.

The full Board determines whether or not Executive Directors are permitted to serve in roles with other companies. Such permission is only granted where a role is on a strictly limited basis, where there are no conflicts of interest or competing activities and providing there is not an adverse impact on the commitments required to the Group. Earnings from such roles are not disclosed nor paid by the Group.

There are three main elements of the remuneration package for Executive Directors and senior staff:

(i) Basic salaries and benefits in kind

Basic salaries are recommended to the Board by the Remuneration Committee, taking into account the performance of the individual and the rates for similar positions in comparable companies. Benefits in kind comprising private medical insurance are available to all senior staff and Executive Directors.

(ii) Share option scheme

The Company operates a Share Option Plan ("SOP"), which grants options over Ordinary shares to certain Directors and senior employees. The purpose of the scheme is to incentivise key members of the Management team and to align their interests with those of the Shareholders.

The SOP was approved by the Remuneration Committee in June 2014 as outlined in the AIM Admission document. Further amendments to the SOP were approved in September 2016, introducing a new three-year plan to replace the existing five-year plan

Under the SOP there are both short term and long term incentive arrangements. In both cases the options granted are nil-cost options, meaning that the participants are not required to pay cash to exercise the option. An Employee Benefit Trust has been established to purchase, hold and issue ordinary shares when awards are exercised. Options must be exercised within a period of 10 years after the grant date for that option otherwise the option will lapse.

The Remuneration Committee has been working with external advisors to create a new SOP to be implemented during 2019, details will be published when finalised.

Short term incentive plan ("STIP")

Awards are calculated as a percentage of base salary and are determined by reference to the attainment of personal objectives or revenue growth or both. Management has agreed to have its annual bonus paid in shares rather than take cash out of the business, which could be used to generate further growth.

REMUNERATION COMMITTEE REPORT

Long term incentive plan ("LTIP")

The previous scheme for 2016-2018 has now ended and a new LTIP scheme for the financial years 2019 to 2021 is in place, though no options were granted in 2019 and consequently no charge has been recognised in the accounts.

Options will be awarded for each year of the scheme on a sliding scale on delivery of revenue growth, profit growth and brand reputation targets. The maximum value of the shares subject to these awards is 200% of the basic salary of the CEO, 150% of the basic salary of the CFO and 100% of the basic salary of other selected Senior Management. The non-Executive directors do not participate in the LTIP scheme.

During the year under review the Remuneration Committee made awards under the STIP and LTIP as follows:

- In respect of the LTIP for the year ended 31 December 2019, no nil-cost options were granted to senior employees 2019 (2018 – 218,579).
- In respect of the STIP for the year ended 31 December 2018, 333,288 nil-cost options were granted to senior employees on 20 March (2018 – 12,500), and 174,308 nil-cost options were granted to EJ Lake on 20 March 2019 (2018 – 29,244) and 780,769 nil-cost options were granted to SN Moon on 20 March 2019 (2018 – 81,806).

(iii) Pension contributions

The Company pays a defined contribution to the pension scheme of Executive Directors and employees. The individual pension schemes are private and their assets are held separately from those of the Company.

Service contracts

The Chief Executive is employed under a service contract requiring 12 months' notice by either party. Non-Executive Directors receive payments under appointment letters, which are terminable by six months' notice from either party.

Policy on Non-Executive Directors' remuneration

John Clarke, Raymond Duignan and Tim Wright each receive a fee for their services as a Director, which is approved by the Board, mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments. Non-Executive Directors are reimbursed for travelling and other minor expenses incurred.

REMUNERATION COMMITTEE REPORT

Details of Directors' remuneration (Audited)

The emoluments paid to the individual Directors of the Company for the period were as follows:

Year ended 31 December 2019

	Salary/ Fees	**LTIP**	**STIP**	**Benefits in Kind**	**Pension**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors						
Stephen Moon	286	-	416	4	-	**706**
Elizabeth Lake	115	-	-	2	6	**123**
James Simpson	46	-	19	-	-	**65**
Non- executive Directors						
John Clarke	47	-	-	-	-	**47**
Ray Duignan	36	-	-	-	-	**36**
Tim Wright	36	-	-	-	-	**36**
	566	**-**	**435**	**6**	**6**	**1,013**

Year ended 31 December 2018

	Salary/ Fees	**LTIP**	**STIP**	**Benefits in Kind**	**Pension**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors						
Stephen Moon	270	326	406	4	-	**1,006**
Elizabeth Lake	164	86	91	2	9	**352**
Non- executive Directors						
John Clarke	46	73	-	-	-	**119**
Ray Duignan	36	-	-	-	-	**36**
Tim Wright	36	-	-	-	-	**36**
	552	**485**	**497**	**6**	**9**	**1,549**

Elizabeth Lake resigned on 10th September 2019

James Simpson was appointed on 26th September 2019 and remuneration included above is from this date

The above fees and emoluments exclude reimbursed expenditure incurred in the conduct of Company business.

REMUNERATION COMMITTEE REPORT

Directors' interests in shares

The Directors' interests in the Ordinary shares of the Company, as recorded in the register maintained by the Company in accordance with the provisions of the Companies Act 2006, were as follows:

Beneficial interests	**Ordinary shares of 10p each 31 December 2019**	Ordinary shares of 10p each 31 December 2018
S N Moon	**843,456**	843,456
J M Clarke	**178,500**	178,500

Directors' interests in share options

The share options held by the Directors and not exercised at the period end date are summarised below:

	31 December 2019	31 December 2018
S N Moon	**5,091,822**	4,603126
JM Clarke	**548,633**	614,087
EJ Lake	**-**	653,009

Details of share options at 31 December 2019 of the Directors who served during the year are set out below:

	Date of grant	**Exercise price pence**	**Share price on date of grant**	**Number of options**	**Earliest exercise date**	**Expiry date**
SN Moon	22 July 2014	nil	72.0p	328,125	22 July 2014	21 July 2024
SN Moon	26 March 2015	nil	68.0p	267,206	26 March 2015	25 March 2025
SN Moon	22 March 2016	nil	52.5p	1,089,675	22 March 2016	21 March 2026
SN Moon	26 Sept 2016	nil	68.75p	1,460.356	22 March 2019	25 Sept 2026
SN Moon	22 March 2017	nil	81p	623,721	22 March 2017	21 March 2027
SN Moon	22 March 2017	nil	81p	460,164	22 March 2018	21 March 2027
SN Moon	21 March 2018	nil	73p	81,806	21 March 2018	20 March 2027
SN Moon	20 March 2019	nil	52p	780,769	20 March 2019	20 March 2029
JM Clarke	22 March 2016	nil	52.5p	221,360	22 March 2016	21 March 2026
JM Clarke	26 Sept 2016	nil	68.75p	327,273	22 March 2019	25 Sept 2026

Other than as shown in the tables above no Director had any interest in the shares or share options of the Company or its subsidiary company at 31 December 2019 or 31 December 2018.

TIM WRIGHT

Chairman of the Remuneration Committee

17 March 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCIENCE IN SPORT PLC

Opinion

We have audited the financial statements of Science in Sport plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, parent company statement of financial position, parent company statement of cash flows, parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the key audit matter in our audit
Revenue recognition The Group's revenue recognition policy is included within the accounting policies in note 1 and the components of revenue are set out in note 4. The Group's reported revenue is a key performance indicator for the market and is a key metric in the Group's short and long term incentive schemes used to incentivise directors, key management personnel and staff. Due to the incentive that exists to overstate revenue we have considered a significant risk to be present over the existence and accuracy of revenue, in particular in relation to the correct cut-off around the period end. In addition, the Group enters into commercial arrangements with its customers to offer promotional discounts, rebates and customer loyalty programs. Due to the potentially complex and varying nature of these arrangements there is a risk that they are not appropriately accounted for and as a result revenue is misstated.	We reviewed the revenue recognition policies applied to each of the Group's revenue streams, in particular those relating to volume rebates and discounts and considered their compliance with relevant accounting standards. We reviewed and challenged management's identification of performance obligations, transaction price allocation and assessment of compliance through checking a sample of sales transactions against the Group's terms and conditions of sale. We performed a reconciliation of revenue recognised in the year to cash receipts. We tested a sample of revenue transactions in the year to check that revenue was accurately recorded within the accounting system The testing was performed through agreement of recorded revenue to proof of delivery and cash receipt. We agreed a sample of items recognised around the year-end to proof of delivery to check that revenue has been correctly recorded in the period. This was performed with reference to the Group's terms and conditions of sale. We agreed a sample of transactions falling outside of the normal revenue transaction cycle (which constitute outliers from our expectation) to supporting documentation. We reviewed credit notes issued after the year end to assess the completeness of the commercial accruals and the existence of revenue recorded at year end. We tested on a sample basis, the calculation of year end promotional discount, product rebate and customer loyalty program accruals, obtaining documentation (e.g. contracts and supporting sales data) to support the existence and measurement of the accruals balance. ***Key observations*** Based on the results of our work we consider that revenue has been recognised in accordance with the Group's revenue recognition accounting policy and the requirements of relevant accounting standards. .

Key Audit Matter	How we addressed the key audit matter in our audit
Valuation of goodwill and intangibles The valuation of the goodwill and intangible assets recognised on the acquisition of PhD Nutrition in the prior year was based on forecast performance of PhD, that had in built growth targets and other key assumptions such as the discount rate applied. The Group's accounting policy for intangible assets is included within the accounting policies in note 1 and the significant judgements are set out in note 1. The components of intangible assets are set out in note 11. In accordance with relevant accounting standards, the Group performs annual impairment tests for CGU's (cash generating units) to which goodwill has been allocated. The group has allocated all goodwill to one CGU being PhD Nutrition. Significant judgement is exercised when determining the assumptions used to calculate the value in use ("VIU") of the CGU, which will be used to determine whether there is any impairment of goodwill and intangible assets. There is also considered to be significant estimation uncertainty in the assumptions selected. Any input inaccuracies or unreasonable bases used in the valuation judgements, such as revenue growth or discount rate, could result in a material misstatement of the financial statements.	***Response*** We obtained the impairment model prepared by management and discussed the basis of valuations with them. We confirmed that the basis of the valuations was in accordance with the requirements of accounting standards. In respect of the PhD Nutrition CGU, we: • checked the arithmetical accuracy of the impairment model prepared by management; • checked that the methodology used within the impairment model was in accordance with relevant accounting standards. • agreed underlying cash flow forecasts used in the impairment model to those approved by the board; • compared the actual results for the year ended 31 December 2019 to forecasts used in the prior year purchase price allocation to validate the accuracy of forecasts used to value intangible assets; • critically assessed management's impairment reviews which included discounted cash flow forecasts. We agreed the underlying assumptions, including predicted revenue growth rates and gross profit margin expectations, to supporting evidence and explanations provided by management,; • used our own valuations specialists to develop a discount rate expectation and compared this to those used by management; and • Re-performed management's sensitivity analysis calculations. ***Key Observations*** Based on the results of our work we consider it appropriate concurred with management's assessment of the valuation of the goodwill and intangibles, and that no material impairment to goodwill and intangibles was required.

In the prior year we identified a Key Audit Matter in relation to inventory valuation primarily due to the manual nature of the calculation. This is not considered to be a Key Audit Matter in the current year as the expected solution for this risk, being the implementation of a new ERP system, has been implemented.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCIENCE IN SPORT PLC

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceeded materiality, we use a lower level, "performance materiality", to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

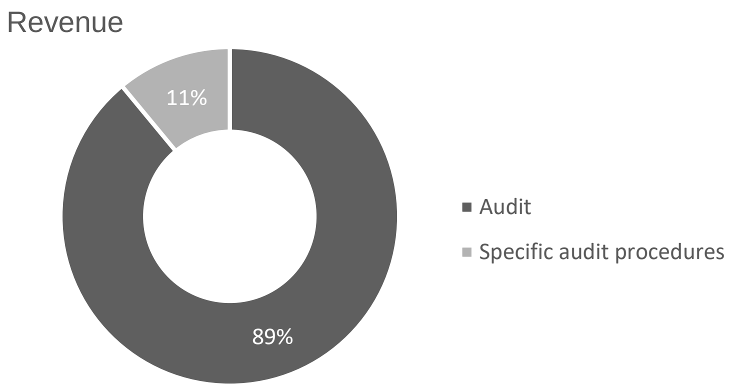
The materiality for the Group financial statements as a whole was set at £500,000 (2018: £266,000). This was determined with reference to the Group's revenue which is considered the most appropriate measure in assessing performance of the Group as it is a key performance indicator for the market. As a business at the current stage of its lifecycle, the main focus of the group is revenue generation. Whilst underlying loss before tax is still a key metric, it is not considered to be an appropriate benchmark for determining materiality as the Group continues to make losses as part of a strategic decision to invest for revenue growth. The materiality used represents 1% (2018: 1.25%) of Group revenue. Performance materiality was set at 75% (2018: 75%) of the Group materiality level, being £375,000 (2018: £199,500).

Where financial information from components was audited separately, component materiality was set for this purpose at lower levels, varying between £200,000 and £255,000.

The materiality for the Parent Company was set at £250,000 (2018: £75,000). This was determined with reference to the Parent Company's net assets, which was considered the most appropriate as it most accurately reflects the Parent Company's status as a non-trading holding company. The materiality used represents 0.4% (2018: 0.1%) of company Net Assets. Performance materiality was set at 75% (2018: 75%) of Parent Company materiality, being £187,500 (2018: £56,250).

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £10,000 (2018: £13,300). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit



Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account the size, the risk profile of the group, changes in the business environment and other factors such as output from discussion with management when assessing the work to be performed on each component.

We analysed the key financial metrics of the group's components to determine those we consider to be financially significant to the group. Science in Sport plc, SiS (Science in Sport) Limited and Phd Nutrition Limited were considered to be significant components. As such, these companies were subject to full scope audits to their respective component materiality. All component audits were performed by BDO LLP with no use of component audit teams.

The group includes subsidiaries based in Australia, the US and Italy. Based on their percentage contribution to key financial metrics, our scoping deemed these components to be non-significant to the group. As such, they were not in scope for a full component audit. However our approach included performing specific audit procedures on revenue cut-off, inventory and overheads by the group audit team.

We considered each key audit matter identified above in respect of the non-significant components, however we determined that these risks were appropriately addressed through our work performed at a group level.

We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, within the Directors report, set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCIENCE IN SPORT PLC

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Henwood (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Reading

United Kingdom

17 March 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Revenue	4	**50,573**	21,318
Cost of goods		**(28,366)**	(9,363)
Gross profit		**22,207**	11,955
Operating expenses	5	**(27,252)**	(17,950)
Loss from operations	6	**(5,045)**	(5,995)
Finance income		***4***	*5*
Finance cost		**(23)**	-
Loss before taxation		**(5,064)**	(5,990)
Taxation	9	**(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	10	**(4.6p)**	(8.2p)

All amounts relate to continuing operations.

The notes on pages 49 to 77 form part of these consolidated financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Company number: 08535116	Notes	**As at 31 December 2019 £'000**	As at 31 December 2018 £'000
Assets			
Non-current assets			
Intangible assets	11	**33,066**	33,742
Right of use assets	18	**689**	-
Property, plant and equipment	12	**1,771**	1,033
Deferred tax	17	**919**	1,430
Total non-current assets		**36,445**	36,205
Current assets			
Inventories	13	**6,141**	7,102
Trade and other receivables	14	**10,927**	8,939
Cash and cash equivalents	15	**5,371**	8,002
Total current assets		**22,439**	24,043
Total assets		**58,884**	60,248
Liabilities			
Current liabilities			
Trade and other payables	16	**(9,954)**	(7,970)
Lease liabilities	18	**(164)**	
Hire purchase agreement	26	**(77)**	-
Derivative financial liabilities	25	**(181)**	-
Total current liabilities		**(10,376)**	(7,970)
Non-current liabilities			
Lease Liabilities	18	**(530)**	-
Hire purchase agreement	26	**(309)**	-
Deferred tax	17	**(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	19	**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

The notes on pages 49 to 77 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Cash flows from operating activities			
Loss for the financial year		**(5,618)**	(5,875)
Adjustments for:			
Amortisation	11	**2,129**	555
Amortisation of right-of-use asset	18	**156**	–
Depreciation	12	**489**	371
Taxation	9	**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	15	**5,371**	8,002

The notes on pages 49 to 77 form part of these consolidated financial statements.

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**

The notes on pages 49 to 77 form part of these consolidated financial statements..

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

1.1 General information

Science in Sport plc (the "Company" and together with its subsidiaries "SIS" or the "Group") is a public limited company incorporated and domiciled in England and Wales (registration number 08535116). The address of the registered office is 2nd Floor, 16 - 18 Hatton Garden, Farringdon, London EC1N 8AT. The functional and presentation currency is Pounds Sterling and the financial statements are rounded to the nearest £1,000.

The main activities of the Group are those of developing, manufacturing and marketing sports nutrition products for professional athletes and sports enthusiasts.

1.2 Basis of preparation

The Company has elected to prepare its Parent company financial statements in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRS") and as applied in accordance with the provisions of the Companies Act 2006, and these are set out on pages 78 to 83.

The financial statements are prepared for the year ended 31 December 2019.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRS"), and those parts of the Companies Act 2006 that are applicable to financial statements prepared in accordance with IFRS. The Group's financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies set out below have been applied to all periods presented in these Group financial statements and are in accordance with IFRS, as adopted by the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that were applicable for the period ended 31 December 2019.

1.3 New accounting standards, interpretations and amendments adopted by the Group

The Group has adopted the new interpretations and revised standards effective for the year ended 31 December 2019, notably IFRS 16 Leases. The nature and effect of these changes are discussed below.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies (continued)

1.3 New accounting standards, interpretations and amendments adopted by the Group (continued)

IFRS 16 Leases (continued)

(a) 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
(b) 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.
(c) Not to recognise lease liabilities for some leases of low value contracts.

1.4 New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The most significant of these is as follows, which are all effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- Revised Conceptual Framework for Financial Reporting.

The Group does not expect any of these accounting standards and amendments to have a material impact on the group

1.5 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. As a result, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' report.

1.6 Basis of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

1.7 Revenue

(i) Performance obligations and timing of revenue recognition

The group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. Revenue from sales to external customers is recognised when goods are despatched. There is limited judgment needed in identifying the point at which the performance obligation is satisfied.

(ii) Determining the transaction price

Most of the group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Variable consideration relating to volume rebates has been constrained in estimating contract revenue in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the amount of volume rebates has been determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.Accounting policies *(continued)*

1.7 Revenue (continued)

(iii) Allocating amounts to performance obligations
For most contracts, there is a fixed unit price for each product sold, with discounts given for bulk orders placed at a specific time. Therefore, there is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered). Where a customer orders more than one product line, the Group is able to determine the split of the total contract price between each product line by reference to each products standalone selling price. All product lines are capable of being, and are, sold separately.

Sales rebate and discount reserves are established based on management's best estimate of the amounts necessary to meet claims by customers in respect of these rebates and discounts. A refund liability is made at the time of sale and updated at the end of each reporting period for changes in circumstances.

1.8 Segment reporting
The Directors have determined that two operating segments exist under the terms of IFRS 8 'Operating Segments'. The Group is organised between SiS and PhD Nutrition.
The prior year consisted of six segments and this has been restated to show the two segments for comparison. Management does not review the assets and liabilities by segment.

1.9 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 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)

1.10 Foreign currency translation
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign subsidiaries are retranslated using the closing rate method and foreign exchange gains and losses on translation are recognised through other comprehensive income. The exchange differences are held in a separate reserve and will be recycled to the profit or loss on disposal of the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.Accounting policies *(continued)*

1.11 Employee benefits
(i) Defined contribution plans
The Group provides retirement benefits to a number of employees and Executive Directors. The assets of these schemes are held separately from those of the Group in independently administered funds. Contributions made by the Group are charged to profit or loss in the period in which they become payable.

(ii) Accrued holiday pay
Provision has been made at the reporting date for holidays accrued but not taken at the salary of the relevant employee at that date.

1.12 Interest income
Interest income is recognised on a time-proportion basis using the effective interest rate method.

1.13 Research and development
Expenditure on research and development activities of internal projects is written off as incurred unless the criteria are met to recognise an intangible asset in accordance with IAS 38 'Intangible assets'. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are capitalised as intangible assets only when the following criteria are met: (i) it is technically feasible to complete the product so that it will be available for use; (ii) the Directors intend to complete the product and use it; (iii) there is an ability to use the product; (iv) it can be demonstrated how the product will generate probable future economic benefits; (v) adequate technical, financial and other resources to complete the development and use the product are available; and (vi) the expenditure attributable to the product during its development can be measured reliably.

Directly attributable costs that are capitalised include relevant employee costs. Capitalised development costs are amortised on a straight line basis over a period of five years from the date that the product is brought into first use. The directors consider that five years represents the usual period over which the main benefits of a new product are gained by the Group.

1.14 Taxation
Current tax is provided at amounts expected to be recovered or to be paid using the tax rates and tax laws that have been enacted or substantively enacted at the reporting date. When research and development tax credits are claimed, they are recognised on an accruals basis and are included as a grant and are taken above the line as a credit to expenditure. Tax credits are included in underlying operating loss.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- Investments in subsidiaries where the Company can control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profits will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.Accounting policies *(continued)*

1.15 Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued. No contingent consideration has been paid. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

1.16 Intangible assets

(i) Externally acquired intangibles

Externally acquired intangible assets are initially recognised at cost less impairment and subsequently amortised on a straight line basis over their expected useful economic lives. Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

	Useful economic life	**Valuation method**
Brands	10 years	Relief from royalty
Customer relationships	10 years	Multi period excess earnings

(ii) Internally generated intangible assets

Expenditure on internally developed products is capitalised if it can be demonstrated that; it is technically feasible to develop the product for it to be sold, adequate resources are available to complete the development, there is an intention to complete and sell the product, the Group is able to sell the product, sale of the product will generate future economic benefits, and expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the administrative expenses in the consolidated statement of comprehensive income. Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

	Useful economic life
Website and software development	5 years
Product development	5 years

1.17 Impairment of tangible and intangible assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill. Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed. All goodwill relates to the Group’s acquisition of PhD Nutrition which forms an individual CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.Accounting policies *(continued)*

1.18 Property, plant and equipment

Plant and equipment assets are stated at cost. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged to profit or loss on all plant and equipment at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over their estimated useful lives, which is:

	Useful economic life
Leasehold improvements	Over length of the lease
Plant and machinery	4 – 10 years
Fixtures, fittings, computer equipment	4 years
Motor vehicles	4 years

The assets' residual values and useful lives are determined by the Directors and reviewed and adjusted if appropriate at each reporting date in accordance with the Group policy for impairment of assets.

1.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials	-	cost of purchase on a first in, first out basis.
Work in progress and finished goods	-	cost of raw materials and labour, together with attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs to completion and disposal. A charge is made to profit or loss for slow moving inventories. The charge is reviewed at each reporting date.

1.20 Financial Instruments

Financial instruments are classified according to the substance of the contractual arrangements into which the Group enters.

Financial assets

On initial recognition, financial assets are classified as either fair value through profit and loss, fair value through other comprehensive income or amortised cost. The classification depends on the purpose for which the financial assets were acquired.

Fair value through other comprehensive income assets comprises of hedged assets. They are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognised in the

Consolidated Statement of Comprehensive Income. There are no other assets classified as fair value through other comprehensive income.

Amortised cost assets are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise principally through the provision of services to customers (e.g. trade receivables). But also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest.

The Group's assets at amortised cost comprise trade and other receivables and cash and cash equivalents including cash held at bank.

The Group applies the simplified approach under IFRS 9 for measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. Expected loss rates are based on historical credit losses experienced and are then adjusted for current and forward-looking information on factors affecting the Group's customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.Accounting policies *(continued)*

1.20 Financial Instruments (continued)
Financial liabilities
Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

1.21 Hedge accounting
Hedge accounting is applied to financial assets and financial liabilities only when the following criteria are met:

- At the inception of the hedge there is a formal designation and documentation of the hedging relationship, and the Group's risk management objective and strategy for undertaking the hedge;
- The hedged relationship meets all the hedge effectiveness requirements including that an economic relationship exists between the hedged item and the hedging instrument, the credit risk effect does not dominate value changes, and the hedge ratio is designated based on the actual quantities of the hedged item and hedging instrument.

Cash flow hedges
The effective part of forward contracts designated as a hedge of the variability in cash flows of foreign currency risk arising from firm commitments, and highly probable forecast transactions, are measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in the cash flow hedge reserve, within other reserves. The Group uses such contracts to fix the cost of foreign currency transactions in the functional currency of the Group entity concerned.

1.22 Cash and cash equivalents
Cash and cash equivalents compromise of cash at bank (PayPal included) and in hand.

1.23 Share capital
Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

1.24 Share based payments
Some employees are granted share options which allow these employees to acquire shares in the Company, if certain performance conditions are met.

The fair value of share options is recognised as an employee expense in profit or loss with a corresponding increase in equity. The fair values of options are calculated at the earlier of the date on which an expectation of the share options arise and the date on which the options are granted. All options have a £nil exercise price and no market based performance conditions, therefore the fair value has been calculated using the market value of the shares at the date of grant adjusted for any non- entitlement to dividends over the vesting period.

The amount recognised as an expense is adjusted to reflect the number of equity instruments vested or expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of shares that eventually vest.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash settled transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.Accounting policies *(continued)*

1.25 Employee Benefit Trust ("EBT")

As the Group is deemed to have control of the EBT, it is treated as a subsidiary and consolidated for the purpose of the Group accounts. The EBT's investment in the Company's shares is deducted from shareholders' funds in the Group statement of financial position as if they were treasury shares.

1.26 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for Leases of low value assets; and Leases with a duration of 12 months or less.

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 18. The following policies apply subsequent to the date of initial application, 1 January 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease; initial direct costs incurred.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.27 Critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements

(i) Lease recognition on manufacturing plant

The manufacturing site is currently under lease negotiation, with the lease having expired. Management or the lessor can give 6 months' notice for SiS to vacate the property. Management has chosen not to recognise an IFRS 16 lease asset as this clause is in place and as such have determined that legally the lease currently falls into a duration of 12 months or less. Judgements made in reaching this decision include: (1) whether the group has a lease, and (2) What the enforceable period of the lease is by assessing whether the group (as lessee) and the lessor would have more than an insignificant penalty in exiting the lease. This was determined by considering the wider economic cost to both parties, including whether the lessor could find a new tenant and whether the group could find an appropriate alternative location without significant cost, as well as whether the installation of the new powder line would create a significant penalty with regards to the cost of moving.

Estimates

Estimates are continually made and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances.

As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The Directors believe the following to be the key areas of estimation:

(i) Intangible assets

Intangible assets were recognised on the acquisition of PhD Nutrition in relation to brands and customer relationships. The fair value of these assets were determined by discounting estimated future net cash flows generated by the assets. These were assessed based upon management forecasts. Key assumptions are those regarding discount rates and revenue growth rates.

In the current year the intangible assets recognised on acquisition have been tested for impairment based on the board approved cash forecast which includes a sales growth rate and gross margin estimates.

The discount rate used to calculate the present value of the cashflow is based on a WACC analysis which takes into account estimates of the risk-free rate, equity risk premium and company size premium.
Further detail is given in note 11, which includes sensitivity analysis performed on managements estimates.

(ii) Recognition of deferred tax asset

The carrying value of deferred tax assets are disclosed in note 17. The Directors consider it appropriate to recognise a deferred tax asset in respect of tax losses on the basis that the losses incurred to date are as a result of the Group's current strategy to invest in growing revenue and they therefore consider it reasonable to conclude that suitable taxable profits against which losses can be utilised are able to be generated in the foreseeable future. PhD Nutrition continues to generate taxable profits and it is therefore expected that future taxable losses generated by SIS (Science in Sport) Limited will be eligible to offset against these profits. We have recognised a deferred tax asset of £0.76m in respect of gross unutilised tax losses of £4m. Based on our forecast taxable profits over the next 2 years only we expect these tax losses to be used and the benefit realised by the group. Total losses carried forward are £14.1m which we will look to use against future profits.

1.Accounting policies *(continued)*

1.27 Critical accounting estimates and judgements (continued)

(iii) Fair value measurement
Assets and liabilities included in the Group's financial statements that require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur. Currently only the hedging financial instrument is measured at Fair value, refer to note 25 for more detail.

2. Financial risk management

The Group's activities inevitably expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk.

It is Group policy not to enter into speculative positions using complex financial instruments. The Group's primary treasury objective is to minimise exposure to potential capital losses.

(a) Market risk

Foreign exchange risk

The Group operates globally with subsidiaries in the USA, Italy and Australia, and therefore there will be risks around foreign exchange rates. Refer to note 15 for analysis of cash balances by currency.

The Group primarily enters into contracts which are to be settled in UK Pounds. However, some contracts involve other major world currencies including the US Dollar, Euro and Australian Dollar.

PhD purchases some finished goods in Euro's, The Groups hedging policy is to place forward contracts to euro purchases to cover 100% of our 6month currency exposure, and 50% of our 7-12month currency exposure based on management forecasts.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from medium term and short term money market deposits. Deposits which earn variable rates of interest expose the Group to cash flow interest rate risk. Deposits at fixed rates expose the Group to fair value interest rate risk. The Group had no fixed rate deposits during the year. The Group analyses its interest rate exposure on a dynamic basis throughout the year. The Group has no variable borrowings and therefore no interest rate swaps or other forms of interest risk management have been undertaken.

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As of 31 December, the Group's net exposure to foreign exchange risk was as follows:

	GBP £		AUD $		Euro €		USD $		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
GBP	-	-	-	-	-	-	-	-	-	-
AUD $	25	27	-	-	-	-	-	-	25	27
Euro €	534	1,544	-	-	-	-	-	-	534	1,544
USD $	2	491	-	-	-	-	-	-	2	491
Total	561	2,062	-	-	-	-	-	-	561	2,062

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposure in relation to outstanding receivables. Group policy is to place deposits with institutions with investment grade A2 or better (Moody's credit rating).

The Group does not expect any losses from non-performance by these institutions. Management believes that the carrying value of outstanding receivables and deposits with banks represents the Group's maximum exposure to credit risk.

The top 10 customers account for 41.5% (2018– 39%) of the Group's revenue and hence there is some risk from the concentration of customers, however the largest single customer is only 9.2% (2018 – 13.3%) of revenue and is a major international business. Further disclosures regarding trade and other receivables are included in Note 26.

(c) Liquidity risk

Liquidity risk arises from the Group's management of working capital; it is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow. The Group had trade and other payables at the reporting date of £10.0 million (2018 – £8.0 million) as disclosed in note 16.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 year	Between 2 and 5 years
	£'000	£'000	£'000	£'000
Trade Payables	5,680			
Hire Purchase	19	58	77	232
Lease liabilities	42	122	135	395
Derivative liabilities	53	129		
Total Financial	**5,794**	**309**	**212**	**627**

(d) Capital risk management

The Group considers its capital to comprise its ordinary share capital, share premium, other reserve and accumulated retained earnings/deficit as disclosed in the consolidated statement of financial position.

The Group remains funded primarily by equity capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders of the Group and benefits for other Stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The companies debt and cash position is monitored weekly which ensures these objectives are being met along with other internal metrics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. 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 brands, 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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Revenue from contracts with customers

The group operates four primary sales channels, which form the basis on which management monitor revenue. UK Retail includes domestic grocers and high street retailers, e-Commerce is sales through the phd.com and scienceinsport.com platforms, Export relates to retailers and distributors outside of the UK and Market place relates to the Amazon and eBay platforms.

	2019 SiS £'000	2019 PhD £'000	2019 Total £'000	2018 SiS £'000	2018 PhD £'000	2018 Total £'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 £'000	Year ended 31 December 2018 £'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

5. Operating expenses

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Loss from operations

Loss from operations is stated after charging:	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'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 differences on intercompany balances	**297**	(161)

Auditor's remuneration

The total fees for services provided by the Group's Auditor are analysed below:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Audit services		
- Audit fees in respect of the parent company and consolidation	**23**	43
- Audit fees in respect of the subsidiary accounts	**67**	44
Non- audit services		
- Corporation tax compliance	**10**	7
- Other taxation advisory	**32**	30
- Corporate finance fees	**-**	107
Total fees	**132**	231

7. Wages and salaries

The average monthly number of persons, including Directors, employed by the Group was:

	Year ended 31 December 2019 Number	Year ended 31 December 2018 Number
Sales and marketing	**58**	45
Manufacturing	**72**	64
Administration	**21**	11
Directors	**5**	4
	156	124

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Wages and salaries (continued)

Their aggregate emoluments were:

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Wages and salaries	**7,065**	4,723
Directors' fees	**120**	118
Social security costs	**909**	542
Pension and other staff costs	**233**	160
Total cash settled emoluments	**8,327**	5,543
Share based payments – equity settled	**623**	1,404
Share based payments – social security costs	**87**	93
Total emoluments	**9,037**	7,040

8. Directors' and Key Management Personnel remuneration

Amounts paid to the Directors of the Parent company:	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Directors		
Aggregate emoluments and fees	**566**	552
Benefits in kind	**6**	6
Pension contributions	**6**	9
Total emoluments	**578**	567
Share based payment remuneration charge: equity settled	**435**	982
Total Directors' emoluments	**1,013**	1,549

Directors' fees of £36,000 (2018 – £36,000) for one Director are paid through a Limited Company.
During the year, one Director participated in defined contribution pension schemes (year ended 31 December 2018 – one).

The number of Directors who participated in the long term incentive programme was 2 (2018 – 3). Share options were exercised by one Director in the current year (2018 – none).

The highest Director was paid £706,000 which was made up of salaries, STIP and benefits in kind, the Remuneration committee calls this out in more detail.

Directors' emoluments include amounts attributable to benefits in kind comprising private medical insurance on which the Directors are assessed for tax purposes. The amounts attributable to benefits in kind are stated at cost to the Group, which is also the tax value of those benefits. Further details of Directors' emoluments are included in the Remuneration report.

The aggregate remuneration of members of Key Management Personnel (which includes the Board of Directors and other Senior Management Personnel) during the year was as follows:

Amounts paid to Key Management Personnel.	**Year ended 31 December 2019 £'000**	Year ended 31 December 2018 £'000
Remuneration and short term benefits	**1,430**	1,059
National insurance costs	**181**	130
Post-employment benefits	**40**	30
Share based payments	**678**	1,404
	2,329	2,623

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Taxation

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'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 purposes	**(6)**	(7)
Unprovided deferred tax asset on losses carried forward	**(1,482)**	(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 (17) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. 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 31 December 2019	Year ended 31 December 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).

11. Intangible assets

	Goodwill £'000	**Brands £'000**	**Customer relationships £'000**	**Website and software development £'000**	**Product development £'000**	**Total £'000**
Cost						
At 31 December 2017	–	–	–	1,645	357	2,002
Additions	–	–	–	787	158	945
Acquisitions	17,398	8,957	5,638	–	–	31,993
At 31 December 2018	**17,398**	**8,957**	**5,638**	**2,432**	**515**	**34,940**
Additions	–	–	–	959	494	1,453
At 31 December 2019	**17,398**	**8,957**	**5,638**	**3,391**	**1,009**	**36,393**
Amortisation						
At 31 December 2017	–	–	–	564	79	643
Charge for year	–	75	47	329	104	555
At 31 December 2018	–	75	47	893	183	1,198
Charge for year	–	896	564	515	154	2,129
At 31 December 2019	**–**	**971**	**611**	**1,408**	**337**	**3,327**
Net book value						
At 31 December 2019	**17,398**	**7,986**	**5,027**	**1,983**	**672**	**33,066**
At 31 December 2018	17,398	8,882	5,591	1,539	332	33,742

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible assets (continued)

At 31 December 2019, the Group had no capital commitments whereby agreements had been entered into for both scope and amount for 2020 projects (31 December 2018 £133,000 relating to website development and SAP development costs).

The brand and customer relationships recognised were purchased as part of the acquisition of PhD Nutrition on 6 December 2018. They are considered to have finite useful lives and are amortised on a straight line basis over their estimated useful lives of 10 years. The intangibles were valued using an income approach, using Multi-Period excess earnings Method approach for customer relationships and Relief from Royalty Method for brand valuations.

Goodwill impairment

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

The Group has estimated the value in use of PhD based on a discounted cashflow model which adjusts for risks associated with the assets. The pre- tax discount rate used to measure the CGUs value in use was 15%.

The recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections covering a period to 31 December 2025. The forecasts are based on a 3 year, board approved, strategic plan, which forecasts revenue growth ahead of the forecast market growth rate. For the period from 2023 to 2025 revenue growth rates have been reduced to the forecast average growth rate for the sports nutrition market. After 2025 a long term annual growth rate of 1.5% has been applied. The SiS brand has grown at a compound annual growth rate of 25% over the last six years.

The Board approved cash forecast uses a growth rate of 18% for 2020 and above 20% for 2021 and 2022. A growth rate of 8% for 2023-2025 has been used in line with the sports nutrition market growth rate. From 2026 an annual growth rate of 1.5% is applied into perpetuity.

The key assumptions used in the discounted cashflow model were the discount rate, sales growth, gross margin and EBITDA. Gross margin and EBITDA percentages were based on 2019 actuals adjusted for known improvements to the manufacturing cycle as well as extra costs around headcount and carriage that are appropriate with the future revenue growth rate. We have enacted contingency plans to protect cash reserves as the priority in response to the Covid-19 coronavirus outbreak, and are monitoring the situation daily.

The discount rate used in the discounted cashflow is based on a WACC analysis which takes into account estimates on the:

- Risk-free rate (rate used is higher than the long-term UK government bond)
- Equity risk premium (this is higher than the average equity risk premium in the UK)
- Size premium (the same value as prior year has been used)

Sensitivity analysis

With regard to the assessment of value in use, a change in any of the above key assumptions could have a material impact on the carrying value of the cash-generating unit

If any of the following changes were independently made to the key assumptions the carrying amount and recoverable amount would be equal:

- 6% increase in the discount rate or
- 7% decrease in the current growth rate (years 1 -6)
- 35% decrease in EBITDA (years 1-6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures, fittings and computer equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 31 December 2017	461	1,237	841	16	2,555
Additions	45	146	420	-	611
At 31 December 2018	**506**	**1,383**	**1,261**	**16**	**3,166**
Additions	97	821	310	–	1,228
Disposals		(6)			(6)
At 31 December 2019	**603**	**2,198**	**1,571**	**16**	**4,388**
Depreciation					
At 31 December 2017	342	796	624	–	1,762
Charge for the year	66	161	137	7	371
At 31 December 2018	**408**	**957**	**761**	**7**	**2,133**
Charge for the year	41	222	222	4	489
Disposal	-	(5)	-	-	(5)
At 31 December 2019	**449**	**1,174**	**983**	**11**	**2,617**
Net book value					
At 31 December 2019	**154**	**1,024**	**588**	**5**	**1,771**
At 31 December 2018	**98**	**426**	**500**	**9**	**1,033**

13. Inventories

	31 December 2019 £'000	31 December 2018 £'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Trade and other receivables

	31 December 2019 £'000	31 December 2018 £'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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Cash and cash equivalents

	31 December 2019 £'000	31 December 2018 £'000
Cash at bank and in hand	**5,371**	8,002
Cash at bank and in hand is made up of the following currency balances		
British Pound	**4,069**	5,418
Euro	**722**	1,587
US Dollar	**135**	619
Australian Dollar	**332**	259
New Zealand Dollar	**113**	119
	5,371	8,002

The directors consider that the carrying amount of cash approximates to its fair value.

16. Trade and other payables

	31 December 2019 £'000	31 December 2018 £'000
Trade payables	**5.680**	4,661
Accruals	**3.354**	2,631
Total financial liabilities measured at amortised cost	**9.082**	7,292
Other taxes and social security	**920**	678
	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.

17. 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
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

17. Deferred tax (continued)

Year ended 31 December 2018:	Asset £'000	Liability £'000	Net £'000	(Charged)/ credited to profit or loss £'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 losses are split into pre 1 April 2017 losses of £4.2m and post 1 April 2017 losses of £9.9m. SiS can 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.

18. Leases

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 leases several properties in the jurisdictions from which it operates. In all jurisdictions the rates are fixed over the lease term.

The group also leases vehicles, which comprise only of fixed payments over the lease terms.

In determining the right to use asset and lease liability at the date of initial application, the weighted average incremental borrowing rate of 4% was used.

Right-of-use Assets

	Land and buildings £'000	Vehicles £'000	Totals £'000
At 1 January 2019 (being initial recognition)	399	35	**434**
Additions	411	-	**411**
Amortisation	(136)	(20)	**(156)**
As at 31 December 2019	674	15	**689**

18. Leases (continued)

Lease liabilities

	Land and buildings £'000	Vehicles £'000	Totals £'000
At 1 January 2019 (being initial recognition)	399	35	**434**
Additions	411	-	**411**
Interest expense	23	1	**24**
Lease payments	(151)	(24)	**(175)**
As at 31 December 2019	682	12	**694**

As at 31 December 2019	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**between 1 and 2 year £'000**	**Between 2 and 6 years £'000**
Lease liabilities	**(42)**	**(122)**	**(135)**	**(395)**

One property lease has not been recognised as a lease asset and liability under IFRS 16, as the lease contract has expired and current rolling terms are 6 months' notice.

Short term lease expense is £170 000 for 2019, which relates to rental property in UK, Italy and the USA where the lessor retains substantially all the risks and benefits of ownership, and the asset are classified as operating leases. Rentals applicable to operating leases are charged against profits on a straight-line basis over the period of the lease.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 January 2019:

	ref	**31 December 2018 £'000**	**IFRS 16 £'000**	**01 January 2019 £'000**
Assets				
Right-of-use assets	(a)	-	434	434
Liabilities				
Lease Liabilities	(b)	-	(434)	(434)

(a) None of the leases were previously classified as finance right to use assets under property plant and equipment.
(b) The adjustment to right-of-use assets was from operating lease in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Leases (continued)

The following table reconciles the minimum lease commitments disclosed at 31 December 2018 to lease liabilities recognised on 1 January 2019.

	1 January 2019 £'000
Minimum operating lease commitment at 31 December 2018	473
Less: short term leases not recognised under IFRS 16	(83)
Plus: effect of extension options reasonably certain to be exercised	140
Undiscounted lease payments	**530**
Less: Effect of discounting using the incremental borrowing rate at date of initial application	(96)
Lease liability as at 1 January 2019	**434**

As the modified retrospective approach was adopted there was no effect on retained earnings

19. Share capital

	Ordinary 10p shares number	Ordinary 10p shares £'000
Authorised share capital	**221,000,000**	**22,100**

Allotted, called up and fully paid	**Ordinary 10p shares number**	**Ordinary 10p shares £'000**
At 31 December 2018	121,967,803	12,197
Sponsorship consideration 11 January 2019	416,667	42
Sponsorship consideration 4 March 2019	194,174	19
Sponsorship consideration 27 March 2019	240,385	24
At 31 December 2019	**122,819,029**	**12,282**

The Company has one class of Ordinary shares which carry no rights to fixed income.

On the dates shown above the Company issued new Ordinary shares of 10p each respectively, as consideration for sponsorship related services. The fair value of these shares at the date of issue was £450,000, this represented the market price for the sponsorship services provided.

At 31 December 2019 the Employee Benefit Trust held in reserve 1,938,182 new Ordinary shares of 10p each to be issued as share options (2018 – 3,726,036 new Ordinary shares of 10p each).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Share options

In June 2014 the Company adopted a Share Option Plan ("SOP"). The key terms of the SOP are substantially the same as set out in the AIM Admission Document which is available on the Group's website. Under the SOP, options to purchase Ordinary shares may be granted by the Remuneration Committee to Directors, Senior Executives and potentially other employees at nil-cost.

To enable the Company to grant nil-cost options it has established an Employee Benefit Trust to purchase, hold and transfer the Ordinary shares pursuant to the options.

The SOP is managed by the Remuneration Committee on behalf of the Company. The Company will grant each participant an option subject to the terms and conditions of each participant's individual option agreement (including performance conditions) and the SOP rules. Each participant may be granted either annual or long term (three- or five-year vesting period) options or both. Annual options may be settled in either cash or shares at the sole discretion of the Remuneration Committee. As at 31 December 2019 1,938,182 (2018- 3,726,036) shares were held by the Employee Benefit Trust in respect of options awarded to the Directors in respect of previous years. All other annual options have been treated as equity settled options.

In the event that the option holder's employment is terminated before vesting, the option may not be exercised unless the Remuneration Committee so permits. Options expire 10 years from date of grant.

The Board approved an LTIP element of the SOP on 22 September 2016 which relates to revenue growth achievement. This award replaces the existing five-year LTIP, the three-year revenue growth phase of this scheme vested in March 2016 and was then planned to be a profit plan for two years thereafter. Following the raising of additional capital in October 2015, the strategy has continued to be focussed on revenue growth following the completion of the first three years of the previous LTIP:

Revenue incentive motivates Management to grow revenue in years one to three, where year three ends December 2018.

The Options were awarded each year on a sliding scale for revenue growth between 15% and 30% per annum over the three years. The maximum value of the shares subject to these awards is 200% of the basic salary of the Chairman and CEO, and 100% of the basic salary of the Finance Director and other Senior Management.

A new LTIP scheme for 2019-2021 is in place, further information on the scheme can be found in the Remuneration report.

The total charge for the year relating to employee share based payment plans was £628,000 (2018 – £1,404,000), all of which related to equity settled share based payment transactions. Total social security costs of £87,000 (2018 – £93,000) have also been recognised and included in the share based payment charge of £1,165,000 (2018 – £1,922,000).

Options granted during the period

During the year ended 31 December 2019 options were granted under the short term incentive plan with regard to performance in the year ended 31 December 2018. All options have a nil exercise price and no market based performance conditions, therefore the fair value has been calculated using the market value of the shares at the date of grant. As the expected dividend yield for the life of the option is assumed to be nil no adjustment is required for non-entitlement to dividends.

Date of grant	Exercise price pence	Share options number	Share price at date of grant pence
20 March 2019	nil	1,288,365	52p
19 September 2019	nil	337,560	55p

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Share options (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Weighted average exercise price pence	Weighted average share price at date of exercise pence	Share options Number
Options at 1 January 2018	nil	–	7,360,912
Granted during year	nil	–	342,129
Exercised	nil	73p	(589,079)
Forfeited during year	nil	–	(271,423)
Outstanding at 31 December 2018	**nil**		**6,842,539**
Granted during year	nil	–	1,625,925
Exercised	nil	55p	(1,787,854)
Forfeited during year	nil	–	(599,709)
Outstanding at 31 December 2019	**nil**		**6,080,901**

The exercise price of all options outstanding at the end of the year was nil. The average remaining contractual life for these options as at 31 December 2019 was 6.9 years (31 December 2018 – 7.6 years).

21. Reserves

Share premium	Amount subscribed for share capital in excess of nominal value less costs directly attributable to the issue of shares
Employee Benefit Trust reserve	Shares in the Company held by the Employee Benefit Trust which will be used to settle options held by employees under the SOP
Cash flow hedge reserve	Gains/losses arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge
Other reserve	Arose as a result of applying the principles of reverse acquisition accounting following the demerger of SIS (Science in Sport) Limited from Provexis plc in August 2013 and represents the difference between the capital reserves of Science in Sport plc (the legal acquirer) and those of SIS (Science in Sport) Limited (the legal acquiree).
Retained deficit	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income
Foreign exchange reserve	Arises on the translation of foreign subsidiaries into Sterling at the year-end date. For the year ending 31 December 2019 a profit of £67,000 was recognised (2018 – £125,000 loss) to this reserve.

22. Pension costs

The pension charge represents contributions payable by the Group to independently administered funds which during the period ended 31 December 2019 amounted to £233,000 (period ended 31 December 2018 – £160,000). Pension contributions payable but not yet paid at 31 December 2019 totalled £33,149 (31 December 2018 – £22,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Operating lease commitments

Future minimum rentals payable under operating lease(to note this is the earlier of lease expiry or notice period served where there is no defined period on the lease.)

	31 December 2019 £'000	31 December 2018 £'000
Expiring:		
Due within 1 year	**128**	147
Due between 2 years and 5 years	**-**	326
	128	473

Operating lease payments primarily represent rentals payable by the Group for properties for which a ROU asset has not been recognised under IFRS 16, as the leases have been determined to be short term.

24. Related party transactions

IAS 24 'Related Party Transactions' requires the disclosure of the details of material transactions between reporting entities and related parties. Transactions and balances with Group companies are eliminated on consolidation and therefore do not need to be disclosed.

Details of Directors' remuneration are within the Remuneration Committee report

25. Financial instruments

Financial instruments at amortised costs

	31 December 2019 £'000	31 December 2018 £'000
Financial assets measure at amortised cost	**15,252**	15,952
Financial liabilities measure at amortised cost	**9,082**	7,292

Financial assets comprise cash and cash equivalents trade and other receivables. Financial liabilities comprise trade payables and accruals.

Derivative Financial liabilities

	31 December 2019 £'000	31 December 2018 £'000
Derivatives designed as hedging instruments		
Forward foreign exchange contracts- cash flow hedges	**181**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Financial instruments (continued)

The only financial instrument measured at fair value are derivatives, designated as hedging instruments. These are classified as level 2 in the fair value hierarchy (see note 1.27).

There were no transfers between levels during the period.

	Valuation technique
Derivative financial assets and liabilities	Forward exchange rates at the reporting date used to determine fair value.

All derivatives held by the Group are designated as hedging instruments. The Group has elected to adopt the hedge accounting requirements of IFRS 9 Financial Instruments. The Group enters hedge relationships where the critical terms of the hedging instrument and the hedged item match, therefore, for the prospective assessment of effectiveness a qualitative assessment is performed.

Hedge effectiveness is determined at the origination of the hedging relationship. Quantitative effectiveness tests are performed at each period end to determine the continued effectiveness of the relationship.

The fair value of the derivative financial assets and liabilities are split between current and non-current depending on the remaining maturity of the derivative contract and its contractual cash flows.
The fair value of foreign currency forward contracts are based on observable information on exchange and interest rates. The hedged forecast transactions denominated in foreign currency are expected to occur at various dates within the next 12 months.

Gains and losses on foreign currency forward contracts which have been recognised in the hedging reserve, within other reserves in equity as at 31 December 2019, will be recognised in the Consolidated Statement of Comprehensive Income in the periods during which the hedged forecast transaction occurs.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the Consolidated Statement of Financial Position.

The gross contractual cash flows for the forward contracts as at 31 December 2019 was £6,795,000 (31 December 2018: £nil). The movement in the fair value on forward contracts in the period of £181,000 loss (2018: £nil) has been included within other comprehensive income in the Consolidated Statement of Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Hire purchase agreement

A hire purchase agreement was entered into on 12 December 2019 with HSBC Equipment Finance. This was to fund the new powder production line completed in November 2019, with the first powder products being produced in the same month. The Group's obligation is to repay the financing over 60 months, with the first repayment occurring on 18th January 2020.

	31 December 2019 £'000	31 December 2018 £'000
Current portion of Hire purchase obligation	**(77)**	-
Long term portion of Hire purchase obligation	**(309)**	-
Total Hire purchase obligation	**(386)**	-

27. Post balance sheet events

Subsequent to the balance sheet date, the COVID-19 outbreak has escalated to a global pandemic. The impact of this has been considered on the financial statements up to the date of signing. The impact on the going concern assessment has been considered and detailed in the Directors report on page 24, with further discussion of the steps being taken by the company detailed in the strategic report on page 12. No further adjustments are deemed necessary as a result of this matter.

FINANCIAL STATEMENTS

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

Company number 08535116	Notes	**As at 31 December 2019** **£'000**	As at 31 December 2018 £'000
Assets			
Non-current assets			
Investments	4	**48,295**	47,216
Other receivables	5	**18,310**	16,429
Total current assets		**66,605**	63,645
Current assets			
Other receivables		**-**	90
Cash and cash equivalents		**6**	2,185
Total current assets		**6**	2,275
Total assets		**66,611**	65,920
Liabilities			
Current liabilities	6		
Trade and other payables		**(37)**	(493)
Total current liabilities		**(37)**	(493)
Net current (liabilities)/assets		**(31)**	1,782
Total net assets		**66,574**	65,427
Capital and reserves attributable to owners of the Parent company			
Share capital	7	**12,282**	12,197
Share premium reserve		**48,829**	48,464
Share options reserve		**6,847**	6,218
Employee Benefit Trust reserve		**(193)**	(372)
Retained deficit		**(1,191)**	(1,080)
Total equity		**66,574**	65,427

As permitted by Section 408 of the Companies Act 2006 no separate Parent company profit and loss account has been included in these financial statements. The Parent company profit for the period was £68,000 (period ended 31 December 2018 – £597,000).

The Company Statement of Financial Position for 2018 has been adjusted for the classification of the loan to its subsidiary, see note 9.

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

Stephen Moon
Director

The notes on pages 81 to 83 form part of these Parent company financial statements.

PARENT COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Cash flows from operating activities		
Profit/(Loss) after tax	**68**	(597)
Operating cash outflow before changes in working capital	**68**	(597)
Changes in trade and other payables	**(456)**	215
Total cash outflow from operations	**(388)**	(470)
Cash flow from investing activities		
Acquisition of subsidiary	**-**	(31,106)
Changes in other receivables and investments	**-**	(88)
Interest received	**4**	4
Financing operations of subsidiary	**(1,795)**	(8,013)
Net cash outflow from investing activities	**(1,791)**	(39,115)
Cash flow from financing activities		
Proceeds from issue of share capital	**-**	27,920
Expenses paid on share issues	**-**	(240)
Net cash inflow from financing activities	**-**	27,680
Net increase/(decrease) in cash and cash equivalents	**(2,179)**	(11,905)
Opening cash and cash equivalents	**2,185**	14,090
Closing cash and cash equivalents	**6**	2,185

The notes on pages 81 to 83 form part of these Parent company financial statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Share option reserve £'000	Employee Benefit Trust reserve £'000	Retained deficit £'000	Total equity £'000
At 31 December 2017	**6,683**	**22,339**	**4,814**	**(397)**	**(424)**	**33,015**
Total comprehensive loss for the year	–	–	–	–	(597)	(597)
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	–	–	1,829	–	–	1,829
At 31 December 2018	**12,197**	**48,464**	**6,218**	**(372)**	**(1,080)**	**65,427**
Total comprehensive loss for the year	–	–	–	–	68	68
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**	**6,847**	**(193)**	**(1,327)**	**66,574**

The notes on pages 81 to 83 form part of these Parent company financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. Accounting policies

To the extent that an accounting policy is relevant to both SiS Group and Company financial statements , refer to the Group financial statements for disclosure of the accounting policy.

The Parent company financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRS") and applied in accordance with the Companies Act 2006.. The accounting policies are consistent with those of the Group which are disclosed in note 1 to the consolidated financial statements.

Intercompany loans
Intercompany loans are measured in accordance with IFRS 9 and as the loan is payable on demand and interest free, the loan has been measured at amortised cost. The estimated credit losses are calculated using the general approach. If at the reporting date it is determined that the loan cannot be repaid immediately on request, we will consider the most appropriate way to maximize recovery. Where this is considered to be by allowing the counterparty time to pay, we model a number of expected recovery scenarios based on underlying forecasts of the counterparty to calculate the expected credit loss.

Employee Benefit Trust Reserve ("EBT")
The shares held in the EBT are included in the company accounts, as it is considered that the company (as sponsor) retains the majority of the risks and rewards relating to the funding arrangement with the EBT trust.

Going concern
The going concern basis has been applied in preparing the Parent company financial statements for the reasons identified and disclosed in note 1 to the consolidated financial statements.

Valuation of investments
The investment in SIS (Science in Sport) Limited is recorded at the nominal value of shares issued for the purposes of the demerger in accordance with Section 615 of the Companies Act 2006. Accordingly, no premium on the issue of shares has been recognised. The investment in PhD Nutrition is held at cost.

2. Profit attributable to Shareholders

As permitted by Section 408 of the Companies Act 2006 no separate Parent company profit and loss account has been included in these financial statements. The Parent company profit for the period was £68,000 (period ended 31 December 2018 loss – £597,000).

The auditors remuneration for audit and other services is disclosed in Note 5 to the consolidated financial statements

3. Employee costs

All salary costs of employees of the Company are borne by subsidiary companies, and are disclosed in note 6 of the consolidated financial statements.

4. Investments

	£'000
At 31 December 2017	10,578
Capital contribution	1,829
Acquisition of subsidiary – PhD Nutrition	34,809
At 31 December 2018	**47,216**
Capital contribution	1,079
At 31 December 2019	**48,295**

Capital contribution relates to share based payment transactions settled by the Company on behalf of SIS (Science in Sport) Ltd.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

4. Investments (continued)

At 31 December 2019 the Company owned the following subsidiary undertakings:

	Share of issued ordinary share capital, and voting rights	Registered office	Business activity
SIS (Science in Sport) Limited	100%	2nd Floor, 16-18 Hatton Garden, Farringdon, London, EC1N 8AT United Kingdom	Sports Nutrition
SIS (APAC) Pty Limited	100%	Level 3, 41-43 Stewart St, Richmond, VIC 3121 Australia	Sports Nutrition
Science in Sport Inc	100%	C/o USA Corporate Services Inc., 3500 S Dupont Hwy, Dover, DE 19901 USA	Sports Nutrition
Science in Sport (Italy) Srl	100%	Via Bernadino Telesio 25, 20142, Milan Italy	Sports Nutrition
PhD Nutrition Limited	100%	2nd Floor, 16-18 Hatton Garden, Farringdon, London, EC1N 8AT United Kingdom	

There are no significant restrictions on the ability of the subsidiary undertaking to transfer funds to the parent, other than those imposed by the Companies Act 2006.

5. Other receivables

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due within after more than one year		
Amounts owed by SIS (Science in Sport) Limited	18,310	16,429
Total other receivables	18,310	16,429

Total other receivables are carried at amortised cost.

There has been no change in the credit risk comparison of the loan and as such has stayed in stage 1 of the general approach. The ECL has been calculated assuming the loan will be repaid over a future period of continued trading. This has been calculated based off the board approved plan for SIS (Science in Sport) Limited. The cash flow includes internal and external forward-looking information. The Growth rate from 2023 has been at 8% which is just below the growth rate of the nutritional market. No material estimated credit losses were identified.

6. Other payables

	31 December 2019 £'000	31 December 2018 £'000
Amounts falling due within one year		
Trade payables	-	155
Accruals	37	338
Total other payables	37	493

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

7. Share capital

Details of the share capital of the Company are included in note 19 to the consolidated financial statements, details of share based payments are in note 20 to the consolidated financial.

8. Related party transactions

Amounts owed by and to subsidiaries are disclosed in Notes 5 of the Company financial statements. There are no other related parties other than the subsidiaries listed in note 4 and no other transactions other that than the loan to SIS (Science in Sport) Limited.

There are no employees during either period. The remuneration of the Directors of the Company is disclosed within the Remuneration Committee Report on pages 34 to 37.

9. Prior year adjustment

The company has a receivable due from its subsidiary SIS (Science in Sport) Limited. This is a zero interest, on demand loan. However as at the year end the intention of the company is not to request payment within 12 months and therefore the loan has been disclosed as a non-current receivable. It is considered that the loan should have also been classified as non-current as at 31 December 2018 and therefore the prior year balance of £16,519,000 has been restated as non-current

COMPANY INFORMATION

Company number	08535116
Directors	J M Clarke T Wright R Duignan S N Moon J L Simpson
Audit committee	R Mather (Chairman) Appointed 31 January 2020 R Duignan (Chairman) Resigned 31 January 2020 J M Clarke J L Simpson
Remuneration committee	T Wright (Chairman) Appointed 31 January 2020 J M Clarke (Chairman) Resigned 31 January 2020
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Registered office	2nd Floor 16-18 Hatton Garden Farringdon London EC1N 8AT
Nominated adviser and broker	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London EC2Y 9LY
Principal solicitors	Dentons One Fleet Place London EC4M 7WS Reading Berkshire RG1 1SH
Auditors	BDO LLP 2 Blagrave Street Reading RG1 1AZ

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