

PERFORMANCE INNOVATION INSPIRATION

SCIENCE
IN SPORT

PLC

ANNUAL REPORT AND ACCOUNTS 2018

WHO WE ARE

Science in Sport plc (“Group”) is a leading premium performance nutrition company that owns the PhD Nutrition and Science in Sport brands. The Group develops, manufactures and markets innovative sports nutrition products for elite athletes, sports and gym lifestyle enthusiasts.

We are a performance nutrition partner that truly understands nutrition needs whilst exercising, and are trusted by our customers to provide the best products and expert guidance. We develop products with our athletes to ensure we provide the right range of products with the best possible ingredients for their needs, so that they can focus on performing to the best of their ability.

OUR VISION

To be the world’s #1 premium performance nutrition business.

Our key growth drivers are:

1. Sector leading brands
2. Science and innovation
3. Profitable, growing core market
4. Online channels
5. International markets

OUR PROMISE

Trust is key for our consumers and we utilise the best science and innovation to deliver the best products and best advice to our customers.

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HIGHLIGHTS

FINANCIAL HIGHLIGHTS

GROUP

- A 37% increase in Group revenue to £21.3 million (2017 – £15.6 million), including a 25-day contribution of £1.5 million from PhD Nutrition Limited (“PhD”) acquired on 6 December 2018;
- Increase in gross profit to £12.0 million (2017 – £9.3 million) including £0.4 million gross profit following the acquisition of PhD;
- Underlying operating loss¹ of £2.5 million (2017 – £1.7million) in line with growth strategy and expectations, reflecting continued investment in brand awareness, e-commerce and international expansion; and
- Cash and cash equivalents of £8.0 million (2017 – £16.6 million) in line with market expectations following the acquisition of PhD.

SiS

- A 27% increase in underlying SiS revenue to £19.8 million (2017 – £15.6 million), with acceleration in growth during H2 to 34% reflecting first half investment initiatives;
- Revenue growth significantly ahead of the sports nutrition sector, with particularly strong growth in online channels +26% and international markets +55% driven by consistent investment in marketing resulting in significant brand awareness improvement versus the Group’s competitors;
- Robust gross profit margin 58.2% (2017 – 59.7%);
- New product development – a key growth driver delivering £1.1 million of revenue in the year (2017 – £0.9 million) contributing 26% of overall revenue growth;
- SiS Core² business increasingly profitable with operating profits of £2.0 million (2017 – £0.5million); and
- On plan delivery in strategic markets of USA, Italy and Australia.

1. Excludes depreciation, amortisation, non-cash share based payments and costs relating to the acquisition of PhD Nutrition.
2. Core business is defined as UK, EU, RoW excluding strategic markets US, Italy and Australia consistent with segmental reporting (note 5).
3. Includes 25-day contribution of £1.5 million from PhD Nutrition following acquisition completion on 6 December.

PhD

- In December, SiS acquired PhD, a premium performance nutrition brand, for £32.0 million. The transformational deal doubles the size of the Group, extends its product range, and enhances international presence;
- PhD contributed £0.1million of operating profit in 2018; and
- Integration plans are on track.

FINANCIAL KPIS

REVENUE³

£21.3m

(27% UNDERLYING SiS SALES GROWTH, £15.6M IN 2017)

CORE UK BUSINESS

UNDERLYING OPERATING PROFIT

£2.0m

(£0.5M IN 2017)

CASH AND CASH EQUIVALENTS

£8.0m

(£16.6M IN 2017)

GROSS PROFIT

£12.0m

(£9.3M IN 2017)

UNDERLYING OPERATING LOSS¹

£2.5m

(£1.7M IN 2017)

INNOVATION REVENUE

£1.1m

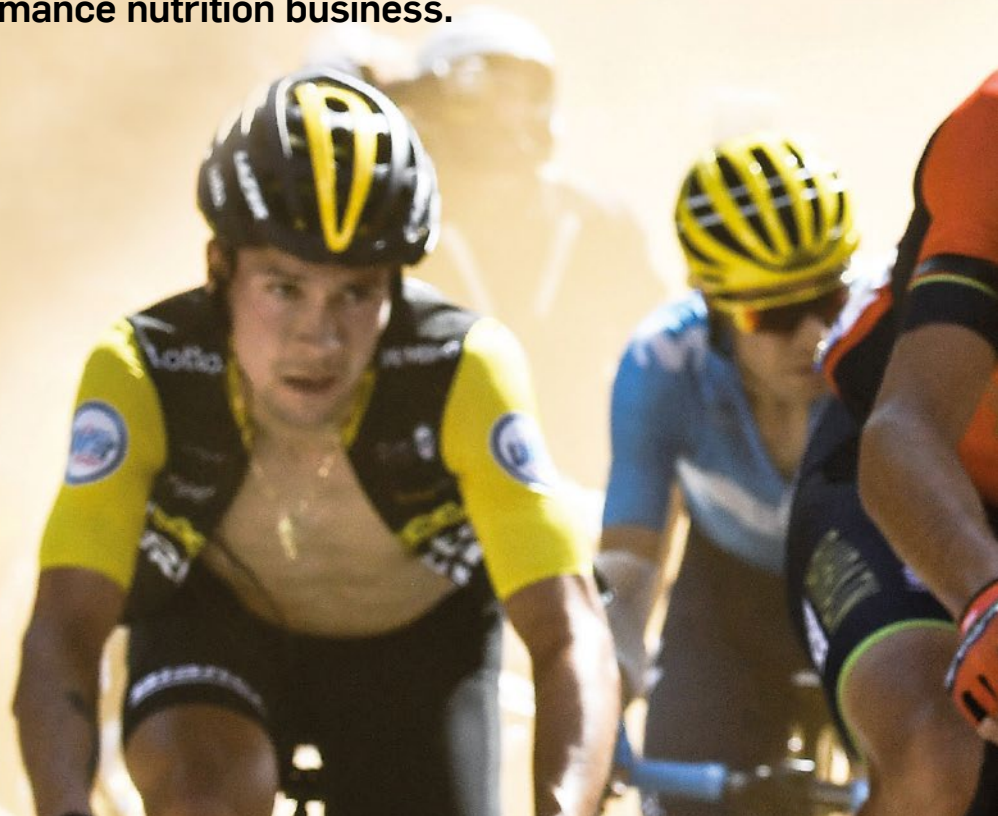
(0.9M IN 2017)



DRIVING BUSINESS PERFORMANCE THROUGH...

A TRANSFORMATIONAL ACQUISITION

The acquisition of PhD Nutrition doubles the size of the Science in Sport PLC Group and accelerates its ambition to become the world's #1 premium performance nutrition business.



WHAT THE ACQUISITION MEANS FOR SCIENCE IN SPORT

The acquisition of PhD Nutrition gives the Group access to an addressable global protein market some four times larger than the endurance nutrition market.

PhD and SiS are two premium brands that have complementary products, operations and sales channels. Together the brands create a well-balanced, cash generative company with enhanced potential.



WHO ARE PhD NUTRITION?

- UK headquartered premium protein brand.
- One of the UK's leading performance nutrition brands with a reputation for high quality and innovative products aimed at sports enthusiasts and gym lifestyle consumers.
- c. 24 employees.
- An experienced management team that has a track record of delivering consistent revenue growth and profitability.

2006

- A different approach to sports nutrition

2006 – 2010

- Revolutionary flagship products drive early growth

2010 – 2014

- Large scale UK rollout as brand gains scale



PhD 12 MONTHS REVENUE TO 31 DECEMBER 2018¹

£12.9m

Retail

£4.2m

Online

£4.1m

International

12%

Growth on Jan-Dec 17



BUGZY MALONE
Brand Ambassador

“I have been using PhD products now for 3 years. I chose them because they are intelligent and authentic and a perfect fit for me as an artist and athlete.”

1. £1.5m revenue included in SIS plc financial statements covering the post-acquisition trading period until year-end.

2014 – 2017

- International

2017

- Smart range launches

DRIVING BUSINESS PERFORMANCE THROUGH...

AN INDUSTRY LEADING REPUTATION

The Science in Sport brand is trusted by professional and Olympic athletes in a range of sports across the world.

OUR REPUTATION IS ENABLING US TO...

Move into new sporting markets

We have developed a relationship with 85 leading professional clubs and our new partnership with Manchester United Football Club gives us the opportunity to broaden awareness through their extensive social media and Facebook reach, as well as developing assets and product innovation.

Enhance our international presence

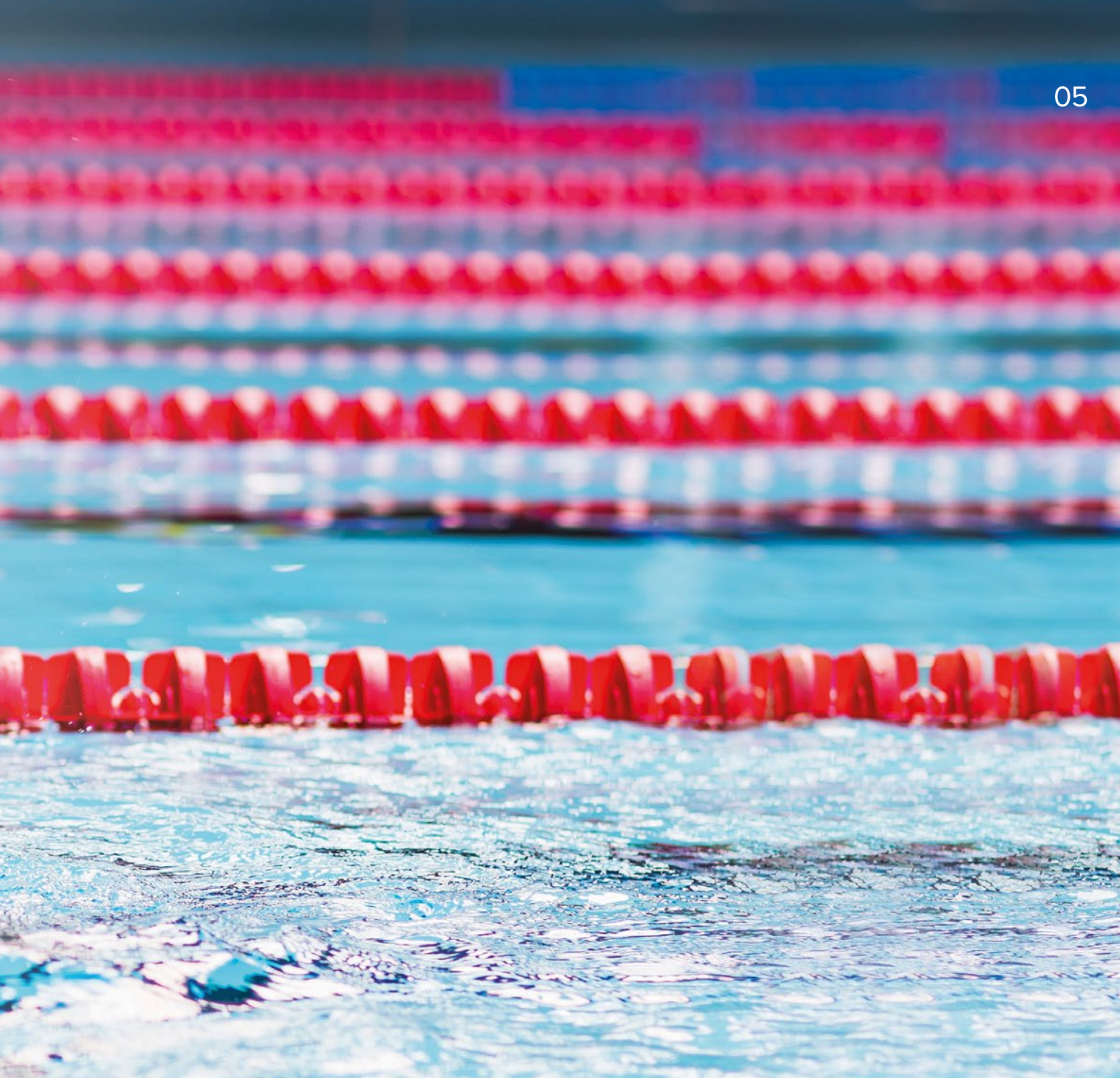
In the USA we have established a fully resourced base in San Francisco and are building our brand awareness through leveraging key partnerships with USA Cycling and Rock n Roll Marathon Series, as well as extensive brand in hand initiatives and product and flavour innovation.

WORLD-CLASS APPROACH TO BANNED SUBSTANCE TESTING

A key component of this trust is our approach to preventing banned substances entering our supply chain and finished products.



Read more about our approach to preventing banned substances in our Corporate Social Responsibility report.



OUR PARTNERSHIP WITH MANCHESTER UNITED IS DRIVING BRAND CREDIBILITY

SiS have been fuelling Manchester United since 2008 and became their official nutrition partner in 2018. We work closely with their performance team to provide tailored nutrition programmes for the players and have co-developed and launched innovative products including Whey Power, Rego Power and the new 2019 football

range. This close partnership with the world's leading club has enabled SiS to build its credentials both at elite level, and increasingly with the 2 million+ UK amateur players.



— DRIVING BUSINESS PERFORMANCE THROUGH...

INNOVATION, PRODUCT DEVELOPMENT AND INVESTMENT IN MAJOR NEW TECHNOLOGIES

Trust, quality and innovation are the key qualities for which PhD and SiS are recognised and we continue to invest in this strategically important area.

PRODUCT INNOVATION

Once again, innovation has been a key driver of growth, with 6% of sales and 26% of total revenue growth coming from new products, continuing the trend of the previous four years.

We work with partners and academic institutions to continue to deliver innovative products and formats and ensure the pipeline maintains and enhances its value.

KEY INNOVATION HIGHLIGHTS DURING THE FINANCIAL YEAR

- Beta Fuel a novel new sports drink delivering high levels of isotonic energy following success fuelling Team Sky at the Giro D'Italia. Exclusive launch on scienceinsport.com alongside 50 selected top tier US & UK independent bike stores.
- Launch of a new athlete health range in February. Range of vitamins, minerals and supplements developed alongside Team Sky specifically for the needs of endurance athletes performing at the highest level. Exclusive launch on scienceinsport.com in the UK and extending to Italy in Q2 2019.



CHRIS HOY
Elite Sports Consultant

“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, as an athlete you want to have the confidence that what you’re using is safe. As a professional athlete it’s your whole career”



JAMES MORTON
Chief Scientific Officer

“Science in Sport are one of the few companies who genuinely put science into the products”

CONTINUOUS INVESTMENT IN SCIENCE AND INNOVATION

In line with our strategy we continuously invest in science and new product development and innovation and as a result, the pipeline for new products in 2019 is very strong. We are also investing in major new technologies for future product development.

Renowned for our innovation and product development in conjunction with elite athlete insight, we have continued to work with our partners, and have developed new products with Team Sky and Manchester United Football Club as well as others.

TEAM | sky

A sports partner that truly understands endurance sport

Our partner for three years, helping fuel another Tour de France victory. One of our latest innovative products, Beta Fuel, was developed with them.



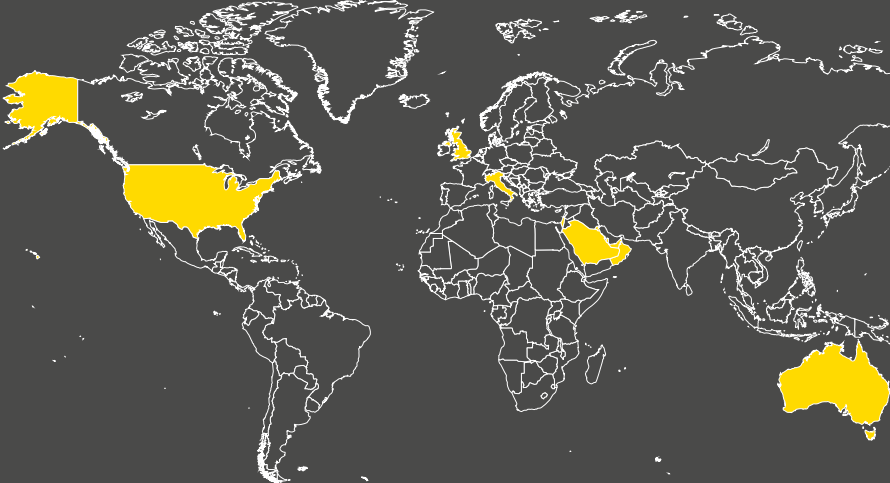
AT A GLANCE

SCIENCE IN SPORT PLC GROUP

Science in Sport plc Group is a premium performance nutrition business. We have two brands in our portfolio, PhD Nutrition and Science in Sport.

WHERE WE OPERATE

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

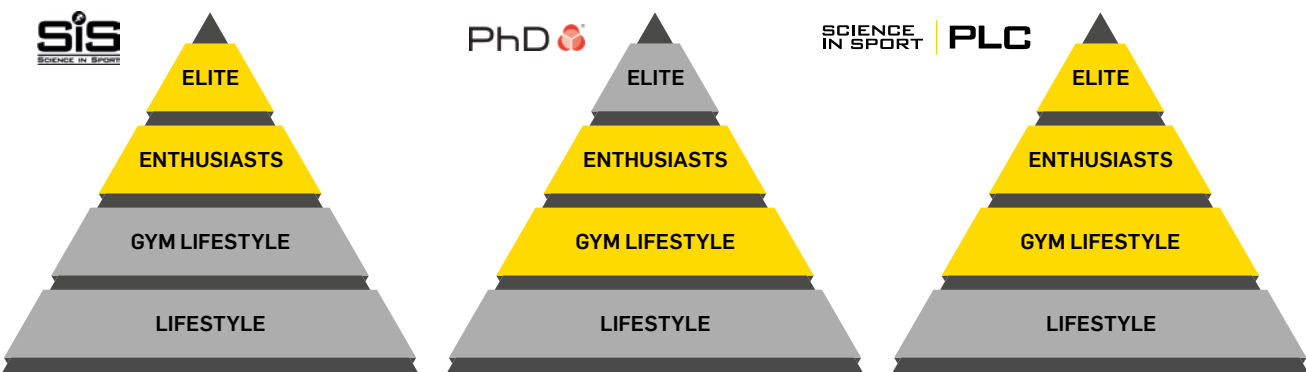


OUR PEOPLE AND CULTURE

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.

CUSTOMER SEGMENTS

Premium endurance sport nutrition brand + Premium protein gym lifestyle brand = Premium performance nutrition business



The diagram illustrates the customer segments for three brands: SIS, PhD, and Science in Sport PLC. Each brand is represented by a pyramid with four levels: ELITE, ENTHUSIASTS, GYM LIFESTYLE, and LIFESTYLE. The SIS pyramid has a yellow top section (ELITE and ENTHUSIASTS) and a grey bottom section (GYM LIFESTYLE and LIFESTYLE). The PhD pyramid has a grey top section (ELITE and ENTHUSIASTS) and a yellow bottom section (GYM LIFESTYLE and LIFESTYLE). The Science in Sport PLC pyramid has a yellow top section (ELITE and ENTHUSIASTS) and a grey bottom section (GYM LIFESTYLE and LIFESTYLE).



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.

WHERE WE OPERATE

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

WHAT WE DO

INNOVATE

Science and innovation to push performance boundaries for all our consumers



BRAND

Invest in brand awareness to grow brand equity and drive usage



DIGITAL

Drive Science in Sport online platform and leverage third-party reach



NEW MARKETS

Invest in new sports, namely football, and new international markets



OUR RANGE OF PRODUCTS



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

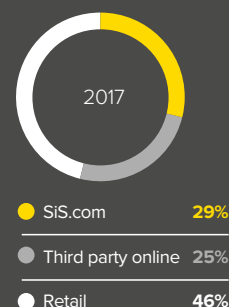
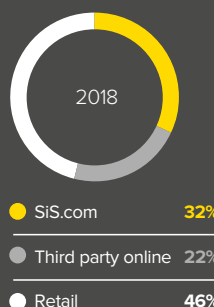
SIS GEL RANGE

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 deliver high margins.

38%
The gel range makes up 38% of sales



Revenue by sales channel %



AT A GLANCE

CONTINUED



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.

WHERE WE OPERATE

We have offices in the UK and Dubai, plus a strong global distributor network.

WHAT WE DO

INNOVATE

Taste and format innovation to drive performance

BRAND

Invest in sub brands to grow brand equity and drive usage

DIGITAL

Launching upgraded PhD online platform and leverage third-party reach

NEW MARKETS

New international markets, Middle East and China



OUR RANGE OF PRODUCTS

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

PhD Smart Range

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.

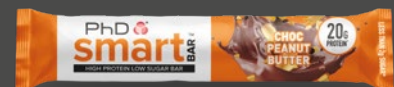
The Smart range makes up 32% of sales.

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



FOCUSED ON THE FUTURE



JOHN CLARKE
Non-Executive Chairman



2018 will be seen as a landmark year for the Group. In December we acquired the PhD business to bring together two of the premium brands in the performance nutrition sector."

The Science in Sport business delivered another strong year of revenue growth, underpinned by investment in brand equity and a science-led innovation pipeline. We believe the expanded Group has the potential to be a global leader in performance nutrition.

Overview

We are delighted to announce a strong set of results for the year ended 31 December 2018. Underlying revenue excluding the acquisition of PhD in December was £19.8 million, 27% ahead of the same period in 2017, with second half growth accelerating to 34%, following first half investment in growth initiatives.

The acquisition of PhD on 6 December 2018 added a further £1.5 million of revenue to the Group results, with full year revenue totalling £21.3 million.

The underlying operating loss was £2.5 million (2017 – £1.7 million) which reflected continued investment in growth opportunities, namely in the USA, Italy and football.

Our cash position remains strong with a year-end balance of £8.0 million. £1.5 million of Science in Sport plc cash reserves were used to finance the acquisition of PhD in December, together with proceeds from a fundraise and the issue of shares, and consideration shares.

We are targeting further strong revenue growth in 2019 for both brands, PhD and Science in Sport. We will be focusing on realising the untapped e-commerce opportunity for PhD, including the launch of a new website in Q2. Both brands will continue to invest in innovation, product launches and international growth. The Science in Sport business will continue its expansion into football with a new, innovative product range specifically formulated for footballers launched in Q1. Additionally, we will deliver revenue and cost synergies through bringing together PhD and SiS.

Even though the UK is facing some economic uncertainty our confidence for the year ahead remains unchanged. The Board continues to be focused on building shareholder value through driving core profitability and developing our strategic growth markets to profitability. Our strategy remains unchanged, focusing on innovation, brand, online and new markets.

Our people

The continued strength of the Group is the hard work and dedication of all the people who work for PhD and Science in Sport. I would like to thank them all for their contribution, especially for the determination and commitment they have shown through this exciting phase in the Group's development, and for delivering another sector leading performance.

The Group has continued to invest in its people, with a number of employees being supported through professional training relevant to their functional areas, as well as other relevant role-specific training. We have also attracted a great deal of new talent during the year as we continue to expand in markets around the world.

GOVERNANCE PRIORITIES FOR 2019

1. STRENGTHEN THE BOARD
2. CONTINUED TRAINING FOR BOARD MEMBERS
3. STRATEGY DELIVERY
4. COMPLIANCE AND RISK MANAGEMENT
5. STAKEHOLDER ENGAGEMENT



Find out more on delivering our priorities on pages 24 to 31.

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.

Culture

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

19 March 2019

WORLD'S #1 PREMIUM PERFORMANCE NUTRITION BUSINESS



STEPHEN MOON
Chief Executive Officer



We were delighted to have acquired the PhD business and its excellent Management team. Integration is on track to maximise the potential of the combined Group.”

Our ambition is to build the world's #1 premium performance nutrition business. In the last five years the Science in Sport business has delivered sales Compound Annual Growth Rate (CAGR) of 25% and with our proven strategy and the PhD acquisition, the Board remains confident of continued strong growth in 2019 and beyond.

2018 was another period of very strong growth, the sixth consecutive year where SiS has significantly outperformed the sector. We saw strong performance in all online channels and international markets. Our strategy of consistent investment in brand equity, our best in class e-commerce platform and product innovation contributed to this success. Continuing improvements in factory and supply chain efficiencies underpinned a very robust gross margin. Our core business segment generated operating profits of £2.0m.

Core Market Growth

The Company's revenue channels comprise our own e-commerce platform, third-party online retailers, independent sports retailers, major grocers, high street health chains, and international sales distributors.

Our e-commerce platform was a focus again during 2018 and delivered 40% revenue growth. The new Magento 2 platform enabled us to make substantial gains in traffic from mobile devices and this was reflected in very high conversion rates. Third-party online retailers, led by Wiggle, Chain Reaction and Amazon, also delivered ahead of market growth, as we continued to invest in this channel. Overall, 54% of revenue was derived from all online channels, and we expect this online share of revenue to continue to grow in 2019.

We have continued to work closely with the leading five major grocers during what has been a challenging year for this channel but nevertheless we delivered like-for-like growth of 1%. High street revenue grew 34% in 2018 with this growth being driven by additional distribution in Superdrug and Holland & Barrett. Our heartland of independent cycle and running shops remained flat in a challenging market. We remain committed to our distribution in this important and opinion leading channel.

International distributors grew strongly by 44% to £3.2m. Within this our strategic heartland distributor Shimano performed well again across all our European geographies, growing 23% to £1.3m. International distributors made good progress in a wide range of global markets, with Russia and Turkey delivering strong growth. In the second half of the year we made progress in markets including Argentina, Brazil, China and Colombia and believe these will become important in 2019 and beyond.

The new vertical of football started well and delivered £0.7m of revenue. We made major inroads into elite football and more than 80 UK clubs are supplied by us. Good progress was made with our e-commerce business and we launched a new sisfootball.com portal in early 2019. Our exclusive nutrition supplier relationship with Manchester United Football club underpins our marketing efforts and we expect it to be a key driver of awareness and revenue in the future.

Strategic Markets

Our business in the USA grew from £0.4m to £1.4m of revenue in line with plan. The scienceinsport.com platform delivered 62% of the total and also become a major source of brand awareness and athlete education for the brand. We set up our Amazon Seller platform during the year and expect this to grow significantly in 2019. We continue to extend our retail presence in the heartland of running and cycle stores, as a key awareness and product trial tool.

The Italian business grew 61% to £1m with scienceinsport.com delivering 60% of these revenues. Late in the year we established our business with Amazon and this is expected to perform well in 2019. Retail is important in the Italian market and is underpinned by Shimano distributing to cycle stores, with Nutramis servicing its own health chain stores and seeking to extend into pharmacy in 2019.

We streamlined our Australian business during the year and brought more focus to our scienceinsport.com platform. This channel exited the year well and has started 2019 strongly. We were a first mover into Amazon's new Australian business, listing on the platform in Q4. The business grew 11% to £0.8m. With a streamlined approach in place and the online channels performing well, we expect good growth in 2019.

International markets, both distributors and strategic markets, comprised 34% of total revenues and delivered 55% growth.

Acquisition of PhD

The acquisition of PhD in December 2018 was a transformational transaction for our business. It has delivered on our strategic intent to grow through acquisition to complement our portfolio.

PhD is a premium performance nutrition brand which operates in the complementary protein category. It has well established retail sales channels in the UK alongside a growing third party online channel. PhD also has an established and growing international presence in over 45 countries accessed through selected distributors.

Strategically, PhD provides SiS with a premium protein-based product range and the opportunity for sales channel optimisation across the enlarged Group particularly online and internationally. Cost synergies will be delivered through in-sourcing production of PhD protein powders. During the period between the acquisition of PhD on 6 December 2018 and 31 December 2018, the acquired business contributed a profit before tax of £0.1 million.

Significant progress is being made on the integration of PhD, to deliver strong growth in PhD revenue and improved gross margin.

The enhanced PhD website is on schedule to launch at the beginning of Q2, with plans in place to expand our picking and packing facility in Nelson to bring the PhD operation in-house. This will deliver customer service benefits as well as some cost benefits.

Strategic intent

Our intent is for the combined PhD and SiS Group to become the world's #1 premium performance nutrition business.

This is underpinned by the following key principles and strategic actions:

- Continuing to drive growth for both brands through a science and innovation-led pipeline, including current and new technologies and formats;
- Developing the manufacturing facility and International logistics footprint to underpin market leading gross margins;
- Continued investment in building the equity in both the PhD and SiS brands to drive sales through increased awareness and usage; and
- Growing our sales presence in markets globally, through both online and retail channels.

Specific initiatives to leverage the combined strength of the Group include:

- Collaborating in existing international markets;
- Building an e-commerce capability for PhD;
- Improving PhD's gross margin by bringing its powder manufacture into the Nelson facility;
- Combining third-party logistics operations to enhance customer service and optimise costs; and
- Bringing PhD e-commerce picking & packing into a new Nelson facility.

We see several structural growth opportunities including developing a combined business in both the USA and Asia, as well as new verticals, the first of these being the SiS football business.

The Board believes there continues to be a significant growth opportunity and if appropriate, we will acquire relevant, complementary businesses to grow and extend our existing product range and deliver synergies from our distribution, e-commerce and supply chain capabilities.

Outlook

We are seeking further strong revenue growth in 2019 and the year has started well for us. Our intention is for the Group to move to a breakeven situation at EBITDA¹ level this year.

There are a number of growth opportunities presenting themselves to us and we will assess these and act accordingly. Key themes are online and international growth.

Integration of the PhD and SiS businesses is on track and we expect to deliver revenue growth and cost savings in line with expectations.

We look forward to 2019 with optimism as we continue to deliver strong growth on the path to becoming the world's #1 premium performance nutrition business.

STEPHEN MOON

Chief Executive Officer

19 March 2019

1. Earnings before interest, tax, depreciation and amortisation.

CREATING LONG TERM VALUE

Our vision is to be the world's #1 premium performance nutrition business, driving above market norm top line improvements whilst growing our core profitability. With the acquisition of PhD the enlarged Group is expected to generate an underlying operating profit¹ in 2019 (2018: Loss £2.5 million).

WHAT WE DO

SiS is a trusted brand which is used widely by enthusiasts and elite athletes in a growing range of endurance sports. These customers include cyclists, footballers, triathletes, rowers, tennis players and runners.

With the acquisition of PhD in December the Company has added a leading premium performance nutrition brand to its portfolio. PhD is used by serious strength athletes and gym lifestyle consumers.



KEY VALUE DRIVERS

A trusted business with world-class ambassadors

Consistently used by elite athletes across all sports. Most advanced banned substance testing regime. World-class ambassadors such as Sir Chris Hoy, Mark Cavendish MBE and Adam Peaty MBE.

Committed people

Our people have a strong commitment to our values and a passion for our brands. We can attract people from world-class brands such as Pepsico, Nestle, GSK, P&G.

Science, innovation and technology

We work with elite athletes, our partners and academic institutions to develop cutting-edge performance nutrition and novel formats.

Leadership on banned substances

World leading banned substance testing regime in place on all SiS raw materials and finished products.

Brand investment

Our high gross margins enable us to invest in brand awareness which in turn drives consideration and usage.

Independent e-commerce platform

We continually invest in our e-commerce platform to improve the customer experience and develop functionality. It provides a customer forum for world-class knowledge to improve performance.

Strong online and retailer relationships

We are a truly omni-channel business, and work closely with the leading grocers and high street retailers as well as independent cycle and running shops. Wiggle and Amazon remain key online partners.

Stakeholder relationships

The Company has good relationships with major shareholders and their backing of equity funding for international expansion and for the acquisition of PhD Nutrition underlines their support for the Group strategy.

1. Excludes depreciation, amortisation, non-cash share based payments and costs relating to the acquisition of PhD Nutrition.

THE VALUE WE CREATE FOR OUR STAKEHOLDERS

Customers

Our products are designed to enable athletes at any level to maximise their performance, from Chris Froome using Beta Fuel in the Giro D'Italia to a gym lifestyle athlete completing their morning Crossfit workout.

People

We employed 142 staff as at 31 December 2018, 69 of whom are based in our factory at Nelson, Lancashire. As we expand we are employing more staff and have also been able to promote internally to a number of roles both in the UK and worldwide, thereby offering employees the opportunity to grow with the Group.

Investors

We have grown a profitable core segment delivering £2.0 million of underlying operating profit and are investing in our strategic growth markets to deliver profits in the medium term. With the acquisition of the profitable PhD Nutrition business, the Group is forecast to be positive at underlying operating profit for 2019.

Strategic partners and suppliers

We have been building strategic partnerships with our partners and suppliers to work together, ensuring that our strategic objectives and financial targets can be met.

Communities

We support staff and investor fundraising activities by providing free products.



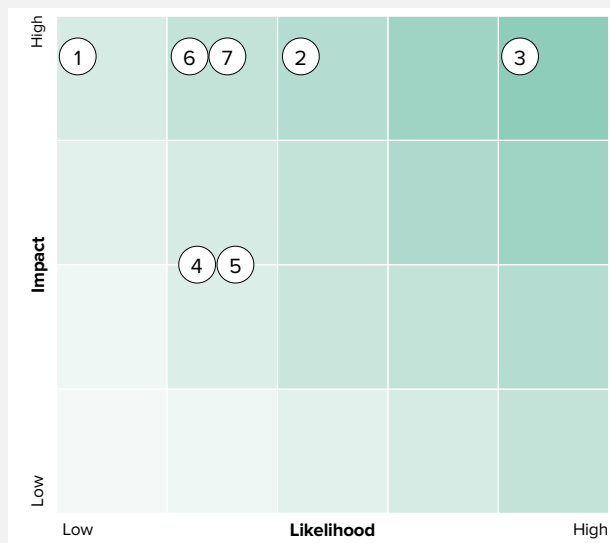
RISK MANAGEMENT IS AN INTEGRAL PART OF GOOD BUSINESS PRACTICE

In the course of its normal business the Company is exposed to a range of risks and uncertainties which could impact on the results of the Company.

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 Company and considers the adequacy of the controls and mitigations to manage these risks.

PRINCIPAL RISK HEAT MAP

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



- 1. Food quality & safety
- 2. Commodity pricing risk
- 3. Brexit impact
- 4. Customers & consumers
- 5. Trademarks and IP
- 6. PhD integration
- 7. Factory disruption

RISK

1. FOOD QUALITY AND 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.

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.

3. BREXIT IMPACT

Risk to the import of raw materials and the export of finished goods following UK exit from EU on 29 March 2019.

4. CUSTOMERS AND CONSUMERS

The Company 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.

5. TRADEMARKS AND IP

The Company’s success will depend in part on its ability to obtain and protect its trademarks both in the UK and internationally.

6. PHD INTEGRATION

Significant business-wide change being implemented following the acquisition of PhD.

7. FACTORY DISRUPTION

The landlord is carrying 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.

Risk rating key

- Low
- Medium
- High

RISK RATING

POTENTIAL IMPACT

MITIGATION CONTROLS

<p>2018 ●</p> <p>2017 ●</p>	<p>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.</p>	<p>The Group maintains product liability insurance cover to mitigate the potential impact of such an event.</p> <p>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.</p>
<p>2018 ●</p> <p>2017 ●</p>	<p>Failure to manage the Company's exposure to price increase may adversely affect the Company's financial performance, through increasing costs of sales which cannot be mitigated through price increases.</p>	<p>The risk is mitigated by securing supplies in advance based on estimated volumes, thus ensuring greater price certainty. Significant volumes are purchased from Europe priced in GBP, and for Euro contracts the business makes significant sales in Euros. Risk has increased due to unknown impact of Brexit (see risk 3).</p>
<p>2018 ●</p> <p>2017 ●</p>	<p>Delays at port may reduce availability of raw materials and disrupt production, and delay deliveries to the end consumer therefore impacting sales and customer service. Tariffs may need to be absorbed therefore impacting profitability.</p>	<p>We have increased raw material stocks on lines sourced from the EU. Early shipment of goods to key European distributors has taken place. We are in constant dialogue with suppliers and customers to assess and mitigate risk. Systems changes to supply export documentation required to third-party carriers is in hand and we are constantly monitoring the situation.</p>
<p>2018 ●</p> <p>2017 ●</p>	<p>Although no single retailer accounts for more than 14% of SiS sales, the dominance of the large retail multiples and third-party e-commerce retailers could force an erosion of prices and, subsequently, profit margins.</p>	<p>Significant resources are devoted to forging strong relationships with customers. The continued move to Online also diversifies the sales channels.</p>
<p>2018 ●</p> <p>2017 ●</p>	<p>The Company cannot give definitive assurance that pending or future trademark applications will be granted or that trademarks granted will not be challenged or held unenforceable.</p>	<p>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.</p>
<p>2018 ●</p> <p>NEW</p>	<p>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 and late installation of powder line in Nelson.</p>	<p>Implementation programme in place with individual project plans agreed. Senior steering group monitor progress weekly and a full-time programme director is in place.</p>
<p>2018 ●</p> <p>2017 ●</p>	<p>Whilst the timelines are fully planned, there is risk of overrun with building works and further disruption to production, which could result in supply chain delays and subsequent missed sales.</p>	<p>Contractual obligations on the landlord to complete the works to plan, with liquidated damages for delays. Full time SiS project manager working with landlord to manage risks through the programme of works.</p>

DELIVERING STRONG FINANCIAL PERFORMANCE



ELIZABETH LAKE
Chief Financial Officer



It has been another exciting year at SiS, delivering market leading growth in the endurance sports nutrition sector, and now the transformational acquisition of PhD, has created an enlarged Group with significant opportunities to deliver Shareholder value.”

Revenue

The Company has continued to grow strongly during the year ended 31 December 2018, with revenue increasing 37% to £21.3 million (2017 – £15.6 million). This includes £1.5 million of revenue from PhD following its acquisition on 6 December. Revenue growth has been achieved through a particularly strong performance across the e-commerce, third-party online retailers and international channels and reflects the continued investment in the business across all channels. The investment in, and focus on, online sales has resulted in 57% of revenue being derived from e-commerce sales across our own platform and third party platforms.

Our International growth strategy has delivered significant growth with 34% of revenue now coming from International customers (2017 – 28%).

During 2018, the Company also continued to invest in product innovation and launched a number of new products.

Gross margin

The Company generated a gross profit of £12.0 million (2017 – £9.3 million) achieving a gross margin of 56.1% (2017 – 59.7%). Gross margin of 28% from the newly acquired PhD business reduced overall Group margin. We see this as a key opportunity for the combined business through initiatives such as insourcing PhD protein manufacture and scale benefits in areas including purchasing and logistics. The gross margin for the SiS brand was 58.2% (2017 – 59.7%). This has reduced slightly due to the impact of more product being sold through overseas subsidiaries which increased the shipping and duty costs. However, an increase in the cost of raw materials was offset by the factory delivering further efficiencies.

Underlying operating loss

The underlying operating loss of £2.5 million (2017 – £1.7 million) 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 management expectations.

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 believe that the operating loss before depreciation, amortisation, non-cash share based payments and PhD acquisition related expenses provides additional useful information for Shareholders on underlying trends and performance. This measure is used for internal performance analysis. A reconciliation of underlying operating loss to loss from operations is presented on the face of the consolidated statement of comprehensive income.

At the reporting date the Company held inventory of £7.1 million (31 December 2017 – £2.7 million), comprising £4.7 million of SiS stock (2017 – £2.7 million) and £2.4 million of PhD stock post acquisition. Inventory levels increased due to overseas expansion, new product launches and planning for Brexit. Trade and other receivables were £8.9 million (31 December 2017 – £2.9 million) and equates to 57 debtor days (2017 – 45 days).

The increase in receivables arises from the acquisition of PhD (£4.5m) and the revenue growth in SiS. The cash balance as at 31 December 2018 was £8.0 million (31 December 2017 – £16.6 million). During the year cash use primarily relates to investment in brand, new markets and infrastructure efficiencies together with working capital requirements and the acquisition of PhD.

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 in August 2013. A new LTIP was approved by the Remuneration Committee in September 2016, following the completion of the previous three-year LTIP at the end of 2015.

Accordingly, the Company has recognised a share based payment charge totalling £1.9 million in the year ended 31 December 2018 (2017 – £1.6 million).

The Company intends to put in place a new incentive scheme following the equity raise in December 2018 and will update Shareholders on this matter in due course.

Taxation

The current tax charge is £Nil (2017 – £Nil) due to the loss made in the year. The deferred tax credit of £0.1 million (2017 – £0.2 million) is primarily due to the recognition of a deferred tax asset in respect of taxable losses created in the year. The Group has estimated tax losses of £10.1m. With the acquisition of PhD which generates taxable profits, the Group expects to be able to utilise its tax losses over the next 3 – 5 years.

Losses and dividends

The loss attributable to equity holders of the parent for the year ended 31 December 2018 was £5.9 million (2017 – £3.6 million) and the basic and diluted loss per share was 8.2p (2017 – 7.7p). The payment of a dividend cannot be recommended due to negative retained earnings (2017 – £nil).

Capital structure and funding

On 6 December 2018 the Group acquired the entire share capital of PhD for £32 million. The acquisition was funded through the issue and allotment of 46,533,333 ordinary shares at a placing price of 60p per share with the balance of consideration coming from existing cash reserves. The placing was undertaken with new and existing institutional Shareholders and shares forming part of consideration. A further 7,694,667 Ordinary shares were issued pursuant to this transaction.

The latest placing resulted in significant institutional investors consolidating their position on the Shareholder register of the Company. The Directors believe establishing a broader institutional shareholder base is in the long term interests of the Company.

Going concern

The Group made a loss after tax for the year attributable to owners of the parent of £6.0 million (2017 – £3.6 million) and expects to make a further loss in the year ending 31 December 2019.

The net decrease in cash and cash equivalents in the year ended 31 December 2018 was £8.6 million (2017 – £10.4 million increase). At 31 December 2018 the Group had cash balances of £8.0 million (2017 – £16.6 million).

The Directors have prepared projected cash flow information for a period ending 31 December 2020.

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.

ELIZABETH LAKE

Chief Financial Officer

19 March 2019

ACTING RESPONSIBLY IS CRITICAL TO OUR BUSINESS PERFORMANCE

The Company 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 Company on a regular basis through the 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 monthly 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, i.e. MBA, finance and supply chain qualifications.

The Company 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 Company complies with health & safety legislation conducting regular inspections and risk assessments.

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.

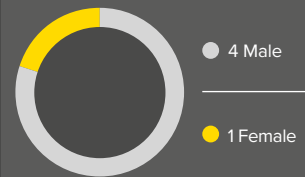
This year we have improved our customer helplines with increased multi-lingual resource. Our investment in our website has enhanced the customer experience and made it easier for customers to leave feedback.

Customer feedback will play a key part in our Long Term Incentive Plan from 2019 onwards.

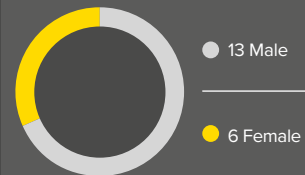
We have also broadened our contact with key trade and retail partners and have organised regular factory visits for them, as well as visiting our International distribution partners around the world.

GENDER DIVERSITY

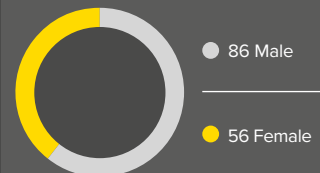
Directors



Senior managers



All employees



ON 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:

1. Every single batch of Science in Sport finished product which leaves the Company’s factory is screened against the 2018 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.

2. 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.

3. Raw material batch testing, in addition to testing on finished goods, for any product deemed “high-risk”.

4. 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.

5. 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.

6. 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.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements for the year ended 31 December 2018.

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, SiS (Science in Sport) Limited, PhD Nutrition Ltd, SiS APAC Pty Limited, Science in Sport Inc, and Science in Sport (Italy) Srl Limited, which are registered in England and Wales, Australia, the United States of America and Italy respectively.

Future developments

The Strategic report and the Chairman and Chief Executive reports cover the Group's performance during the year ended 31 December 2018, 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
E J Lake

Non-Executive Directors

J M Clarke
T Wright
R Duignan

Details of Directors are included on pages 26 to 27.

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 29 to 31.

Dividends

No dividends were paid and none proposed (31 December 2017 – £nil).

Financial instruments

The Group's significant financial instruments are disclosed in note 2 and include trade receivables, trade payables and cash arising from operations.

Substantial shareholdings

As at 31 December 2018, the following Shareholders own more than 3% of issued share capital of the Company:

	% at 31 December 2018	Number of shares
Tellworth Investments	11.60	14,147,651
Legal & General Investment Mgt	11.08	13,515,147
JO Hambro Capital Mgt	8.95	10,917,864
Downing	7.11	8,666,290
FIL Investment International	6.34	7,738,167
Otus Capital Mgt	5.96	7,264,942
Miton Asset Mgt	5.39	6,569,718
PHD Acquisition Bidco Ltd	4.78	5,833,334
Canaccord Genuity Wealth Mgt	3.66	4,467,838
Baillie Gifford & Co	3.11	3,788,336
Regal Trustees Limited EBT	3.05	3,726,036

Going concern

The Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements. Further detail with regards to the consideration of going concern can be found in the Strategic report on page 19.

Employee Benefit Trust Shares

The Company issued 342,129 £0.10 Ordinary shares to the Employee Benefit Trust 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.

Auditors

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result Moore Stephens LLP resigned as auditor and the directors have appointed BDO LLP as auditor in their place. 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.

Each Director has taken all reasonable steps to make himself/herself aware of any information needed by the Company's Auditors for the purpose of their audit and to establish that the Auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Auditors are unaware.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Consolidated and Parent Company 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They have also elected to prepare the 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 Group or 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 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
Director

19 March 2019

CORPORATE GOVERNANCE REPORT

Board of Directors

The Board is led by the Non- Executive Chairman, John Clarke, who is responsible for the Group’s corporate governance arrangements and who ensures that all members of the Board are able to contribute to Board discussions and decision- making. In addition to the Non-Executive Chairman the Board comprises, two additional Non-Executive Directors, all of who are independent, and two Executive Directors. The Board continues to be satisfied that it has an appropriate mix of independence and experience in its Non-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.

Over the next twelve months the Board performance will be reviewed 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.

The Board seeks guidance from external advisors when appropriate such as financial and legal due diligence on potential acquisitions. Advice was taken during the year on the acquisition of PhD Nutrition. In addition the Board consults regularly with its Nominated Advisors and retained advisers for MAR and company secretarial support.

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.

The Board has adopted the Quoted Companies Alliance (“QCA”) Corporate Governance Code in line with the London Stock Exchange’s recent changes to the AIM Rules requiring all AIM-listed companies to

adopt and comply with a recognised corporate governance code. A copy of our report setting out in broad terms how we comply at this point in time can be found on the Company’s website investor pages www.scienceinsport.com/help/investors/corporate-governance.

Audit Committee

The Audit Committee consists of the Chairman and the Non-Executive Directors. It is chaired by Raymond Duignan and it meets at least twice each year.

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

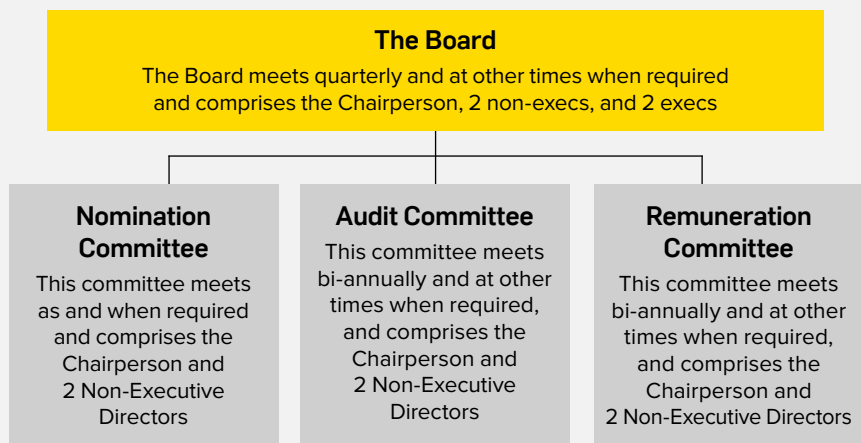
The Nominations Committee consists of the Chairman and the Non-Executive Directors. It is chaired by John Clarke and meets as required.

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.

KEY BOARD ACTIVITIES THIS YEAR INCLUDED:

- Input into the accelerating growth plan;
- Reviewing and approving the business case for the acquisition of PhD Nutrition;
- 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.

BOARD GOVERNANCE FRAMEWORK



Remuneration Committee

The Remuneration Committee consists of the Chairman and the Non-Executive Directors. It is chaired by John Clarke and 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 29.

Risk management

The Company has an established framework of internal controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the company.

The Company'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.

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 2018 were:

	Board	Audit Committee	Remuneration Committee
John Clarke	4/4	2/2	2/2
Raymond Duignan	4/4	2/2	2/2
Tim Wright	4/4	2/2	2/2
Stephen Moon	4/4	–	–
Elizabeth Lake	4/4	–	–

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 principle risks that the Group is facing are detailed in the "Principle risks and uncertainties" section of this Annual Report together with an assessment of the potential impact and mitigating controls.

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.

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.scienceinsport.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 20, 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.

ENSURING HIGH STANDARDS OF CORPORATE GOVERNANCE



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 sales 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.



RAYMOND DUIGNAN
Independent
Non-Executive Director



Raymond has extensive industry experience having set up a specialist investment bank, Stamford Partners, in the mid-1990s advising the European food and drink industries. The firm became a market leader in food and drink transactions in Europe, offering financial and corporate advisory services as well as strategy consulting. Clients of the firm included Unilever, Nestle, Mars, Pepsico, Sara Lee, Best Foods, United Biscuits and Pernod Ricard as well as a range of smaller businesses such as Green and Black’s, Jordans, Innocent and Ella’s Kitchen and leading private equity firms. Raymond retired from Stamford Partners in 2012. Raymond is currently a Non-Executive Director at Finsbury Food Group and holds other advisory positions.



TIM WRIGHT
Independent
Non-Executive Director



Tim Wright, has spent 35 years in Consumer Healthcare management roles in the US, Canada and Europe. In 2015 Tim acquired, and now runs, EmbraceHearing.com, a leading online, direct to consumer provider of high performance hearing aids. Tim also runs StepChange Strategy, a strategy consultancy focusing in Strategy, Innovation and Global Expansion for start-up to mid-sized consumer healthcare companies. Prior to that, he was President to Zarbee’s Naturals (2011-2013), a private equity owned natural medicine business that grew from \$3 million to \$18 million during his tenure. From 2005 – 2011, Tim was President of GSK Consumer Healthcare’s Global Brands, where market leading revenue growth was achieved through world class marketing and innovation.



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 startup in 2003, he later became CEO of Provexis PLC and Science in Sport PLC was spun-out from this company in August 2013.

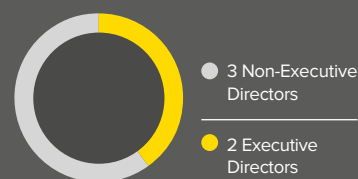


ELIZABETH LAKE
Chief Financial Officer

Elizabeth is a big four trained Chartered Accountant with over 25 years' experience in blue chip, growth oriented, global organisations. Having started her career outside practice within global publishing businesses, Pearson plc and Thomson Reuters, where she gained extensive M&A experience, Elizabeth moved into retail in 2001 and held a number of senior finance roles in Marks and Spencer plc. Elizabeth joined SiS in 2016, following 4 years as Finance Director for the UK, Ireland and Scandinavia at Hugo Boss during an extensive retail portfolio expansion and migration to online.

BOARD DIVERSITY

Composition



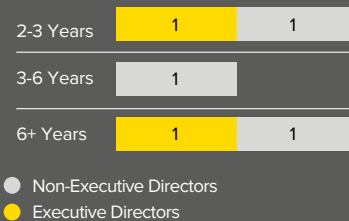
Gender



Age



Tenure



Committee key:

- A** Audit Committee
- N** Nomination Committee
- R** Remuneration Committee

AUDIT COMMITTEE REPORT



RAYMOND DUIGNAN
Chairman of the
Audit Committee

Audit Committee: composition and terms of reference

The Audit Committee comprises two Non-Executive Directors and is chaired by Raymond Duignan. 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 the acquisition of PhD Nutrition and in particular the valuation of Goodwill and separately identifiable intangibles;
- the implementation of new accounting standards, namely IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers;
- the consistency of accounting policies on a year- on year basis and across the group following the acquisition of PhD;
- implementation of new accounting systems effective from 1 January 2019; and
- the appropriateness of the application of the going concern basis in preparation of the financial statements following a review of forecasts to December 2020.

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, corporate finance services and share option scheme advice. The fees in respect of the non-audit services provided were £144,000 for the year (2017 – £7,000). The non-audit fees include £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 (previously Moore Stephens LLP) and are satisfied that the objectivity and independence of the Auditors is safeguarded.

RAYMOND DUIGNAN

Chairman, Audit Committee

19 March 2019

REMUNERATION COMMITTEE REPORT



JOHN CLARKE

Chairman of the
Remuneration Committee

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 the Group Chairman John Clarke.

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 to 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 sales 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.

Long term incentive plan ("LTIP")

The Board approved a new 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 will be 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.

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 2018, 218,579 nil-cost options were granted to senior employees on 21 March 2018 (2017 – nil).
- In respect of the STIP for the year ended 31 December 2017, 12,500 nil-cost options were granted to senior employees on 21 March 2018 (2017 – 219,444), and 29,244 nil-cost options were granted to EJ Lake on 21 March 2018 (2017 – 81,278) and 81,806 nil-cost options were granted to SN Moon on 21 March 2018 (2017 – 460,164).

The Board is in the process of implementing a new three-year LTIP, which will be announced in due course.

REMUNERATION COMMITTEE REPORT

CONTINUED

(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.

Details of Directors' remuneration

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

	Year ended 31 December 2018						Year ended
	Salary/fees £'000	LTIP £'000	STIP £'000	Benefits in kind £'000	Pension £'000	Total £'000	31 December 2017 £'000
Executive Directors							
SN Moon	270	326	406	4	–	1,006	925
EJ Lake	164	86	91	2	9	352	337
Non-Executive Directors							
JM Clarke	46	73	–	–	–	119	113
R Duignan	36	–	–	–	–	36	35
T Wright	36	–	–	–	–	36	35
	552	485	497	6	9	1,549	1,445

Prior year remuneration includes share awards of £692,879 for SN Moon, £67,500 for JM Clarke, and £179,750 for EJ Lake.

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

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:

	Ordinary shares of 10p each 31 December 2018	Ordinary shares of 10p each 31 December 2017
Beneficial interests		
SN Moon	843,456	843,456
EJ Lake	–	–
JM Clarke	178,500	178,500
R Duignan	–	–
T Wright	–	–
	1,021,956	1,021,956

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 2018	31 December 2017
SN Moon	4,603,126	4,521,320
JM Clarke	614,087	614,087
EJ Lake	653,009	623,765

Details of share options at 31 December 2018 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	1,752,429	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
JM Clarke	22 March 2016	nil	52.5p	221,360	22 March 2016	21 March 2026
JM Clarke	26 Sept 2016	nil	68.75p	392,727	22 March 2019	25 Sept 2026
EJ Lake	26 Sept 2016	nil	68.75p	483,637	22 March 2019	25 Sept 2026
EJ Lake	22 March 2017	nil	81p	58,850	22 March 2017	21 March 2027
EJ Lake	22 March 2017	nil	81p	81,278	22 March 2018	21 March 2027
EJ Lake	21 March 2018	nil	73p	29,244	21 March 2018	20 March 2028

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 2018 or 31 December 2017.

JOHN CLARKE

Chairman of the Remuneration Committee

19 March 2019

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 2018 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 2018 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 judgment, 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.

Acquisition of PhD Nutrition – valuation of goodwill and intangibles

Key audit matter

During the year the group acquired the entire share capital of PhD Nutrition Limited. This acquisition has a material impact on the financial statements resulting in the recognition of goodwill and intangible assets upon consolidation.

Goodwill is measured at the acquisition date as the fair value of consideration paid less the fair value of identifiable assets acquired and liabilities assumed. Goodwill of £17.4 million was recognised as a result of this acquisition.

Previously unrecognised intangible assets are recognised on consolidation at their fair value at acquisition, being £14.6 million. The valuation of these intangibles require judgement by the Directors around key assumptions such as revenue growth, discount rates, brand royalty rates, customer attrition and long term growth rates.

We therefore identified valuation of goodwill and intangibles recognised in respect of the acquisition of PhD Nutrition as a significant audit risk.

Accounting policies related to intangibles are included in note 1 and relevant disclosures are included in notes 4 and 12.

How we addressed the matter in our audit

Our procedures included:

- reviewing management's purchase price allocation paper and the terms of the sale and purchase agreement to assess the reasonableness of separately identifiable intangible assets acquired;
- re-performing management's calculation of the fair value of the consideration transferred less the fair value of identifiable assets acquired and liabilities assumed;
- agreeing the consideration transferred to supporting documentation;
- agreeing assets and liabilities acquired to supporting evidence; and
- using our internal valuation specialists to assess whether the valuation methodology applied to each separately identified intangible asset was appropriate and to evaluate and challenge the assumptions used, including discount rates, growth rates and forecasts future trading performance.

Existence and accuracy of revenue

Key audit matter

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 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.

The Group's revenue recognition policy is included within the accounting policies in note 1.

How we addressed the matter in our audit

Our procedures included:

- assessing the appropriateness of the revenue recognition accounting policies, in particular those relating to volume rebates and discounts;
- agreeing transactions falling outside of the normal revenue transaction cycle (which constitute outliers from our expectation) to supporting documentation;
- agreeing a sample of items despatched around the year-end to proof of delivery to ensure that revenue has been correctly recorded in the period. This was performed with reference to the Group's terms and conditions of sale;
- reviewing credit notes issued after the year end to assess the completeness of the commercial accruals recorded and the existence of revenue; and
- testing on a sample basis year end promotional discount, product rebate and customer loyalty program accruals, obtaining documentation (e.g. contracts) to support the existence and measurement of the accruals balance.

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

CONTINUED

Inventory valuation

Key audit matter

Until the new ERP system is implemented, manual cost absorption calculations are being prepared to ensure compliance with IAS 2. There is a risk that costs are not accurately absorbed into inventory, impacting the valuation of inventory as well as the split of costs recognised in cost of sales and administrative expenses.

The group's accounting policy related to inventories is included in note 1 and relevant disclosures are included in note 14.

How we addressed the matter in our audit

Our procedures included:

- reviewing overhead absorption calculations to ensure they are in accordance with the requirements of IAS 2;
- considering whether actual production levels represent a close approximation with normal capacity used in the absorption calculations;
- performing calculations to confirm mathematical accuracy of the models used; and
- agreeing costs to underlying support.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality as follows:

Materiality measure	Group	Parent company
Financial statements as a whole	£266,000 (2017: £200,000) which represents approximately 1.25% (1.28%) of the Group's revenue. This benchmark is considered the most appropriate as it a key performance indicator for the market. As an organically growing 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.	£75,000 (2017: £120,000) which represents approximately 3% (3.6%) of the parent company total assets, capped at 28% (2017: 60%) of group materiality. This benchmark is considered the most appropriate as it most accurately reflects the parent company's status as a non-trading holding company.
Performance materiality used to determine the extent of our testing	On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that basic performance materiality was 75% (2017: 75%) of materiality, being £199,500 (2017: £150,000). Basic performance materiality is adjusted further for higher risk assertions.	On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that basic performance materiality was 75% (2017: 75%) of materiality, being £56,250 (2017: £90,000). Basic performance materiality is adjusted further for higher risk assertions.
Specific materiality	We determined a lower level of materiality for directors' remuneration and related party transactions.	We determined a lower level of materiality for directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	We agreed with the Audit Committee that we would report misstatements identified during our audit above £13,300 (2017: £10,000) or that, in our view, warrant reporting on qualitative grounds.	We agreed with the Audit Committee that we would report misstatements identified during our audit above £3,750 (2017: £6,000) or that, in our view, warrant reporting on qualitative grounds.
Component materiality	Component materiality ranged from £125,000 to £200,000 (2017: £100,000 and £180,000), subject to the mix of size and risk profile of the group across the components.	

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 the organisation 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 are considered to be significant components. As such, these companies were subject to full scope audits to 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 are not in scope for a full component audit, however our approach included specific audit procedures on 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 set out on page 23, 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.

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

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.

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

19 March 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC 305127)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Revenue	3	21,318	15,615
Cost of goods		(9,363)	(6,300)
Gross profit		11,955	9,315
Operating expenses	6	(17,950)	(13,167)
Underlying operating loss		(2,548)	(1,704)
Depreciation and amortisation		(926)	(567)
Share based payments charge	20	(1,922)	(1,581)
Costs associated with acquisition of PhD		(599)	–
Loss from operations	7	(5,995)	(3,852)
Finance income		5	–
Loss before taxation		(5,990)	(3,852)
Taxation	10	115	246
Loss for the year		(5,875)	(3,606)
Other comprehensive income			
Exchange differences on translation of foreign operations		(125)	78
Total comprehensive loss for the year		(6,000)	(3,528)
Loss per share to owners of the parent			
Basic and diluted – pence	11	(8.2p)	(7.7p)

All amounts relate to continuing operations.

The notes on pages 41 to 65 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Assets			
Non-current assets			
Intangible assets	12	33,742	1,359
Property, plant and equipment	13	1,033	793
Deferred tax	18	1,430	1,332
Total non-current assets		36,205	3,484
Current assets			
Inventories	14	7,102	2,713
Trade and other receivables	15	8,939	2,851
Cash and cash equivalents	16	8,002	16,570
Total current assets		24,043	22,134
Total assets		60,248	25,618
Liabilities			
Current liabilities			
Trade and other payables	17	(7,970)	(2,810)
Total current liabilities		(7,970)	(2,810)
Non-current liabilities			
Deferred tax	18	(2,461)	–
Total non-current liabilities		(2,461)	–
Total liabilities		(10,431)	(2,810)
Net assets		49,817	22,808
Capital and reserves attributable to owners of the Parent company			
Share capital	19	12,197	6,683
Share premium reserve		48,464	22,339
Employee Benefit Trust reserve		(372)	(397)
Other reserve		(907)	(907)
Foreign exchange reserve		(97)	28
Retained deficit		(9,468)	(4,938)
Total equity		49,817	22,808

These consolidated financial statements were approved and authorised for issue by the Board on 19 March 2019 and signed on its behalf by:

STEPHEN MOON

Director

The notes on pages 41 to 65 form part of these consolidated financial statements.

Company number 08535116

www.scienceinsport.com

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flows from operating activities			
Loss for the financial year		(5,875)	(3,606)
Adjustments for:			
Amortisation	12	555	307
Depreciation	13	371	260
Loss on sale of fixed assets	7	–	17
Net finance income		(5)	–
Taxation	10	(115)	(246)
Share based payment charge		1,922	1,581
Operating cash outflow before changes in working capital		(3,147)	(1,687)
Changes in inventories		(2,070)	(475)
Changes in trade and other receivables		(1,707)	(635)
Changes in trade and other payables		503	271
Total cash outflow from operations		(6,421)	(2,526)
Cash flow from investing activities			
Purchase of property, plant and equipment	13	(519)	(255)
Purchase of intangible assets	12	(945)	(799)
Acquisition of subsidiary, net of cash acquired	4	(28,363)	–
Net cash outflow from investing activities		(29,827)	(1,054)
Cash flow from financing activities			
Gross proceeds from issue of share capital	19	27,920	14,848
Expenses paid on share issues		(240)	(828)
Net cash (outflow)/inflow from financing activities		27,680	14,020
Net (decrease)/increase in cash and cash equivalents		(8,568)	10,440
Opening cash and cash equivalents		16,570	6,130
Closing cash and cash equivalents	16	8,002	16,570

Significant non-cash consideration

Significant non-cash transactions from investing activities include £3,500,000 of equity consideration in respect of the acquisition of PhD Nutrition.

The notes on pages 41 to 65 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Employee Benefit Trust reserve £'000	Other reserve £'000	Foreign exchange reserve £'000	Retained deficit £'000	Total equity £'000
At 31 December 2016	4,322	10,331	(215)	(907)	(50)	(2,662)	10,819
Total comprehensive loss for the year	–	–	–	–	78	(3,606)	(3,528)
Transactions with owners							
<i>Issue of shares:</i>							
– Issued in return for sponsorship services	16	109	–	–	–	–	125
– Placing	2,121	12,727	–	–	–	–	14,848
Transaction costs of placing	–	(828)	–	–	–	–	(828)
Issue of shares to EBT	224	–	(224)	–	–	–	–
Issue of shares held by EBT to employees	–	–	42	–	–	(42)	–
Share based payments	–	–	–	–	–	1,372	1,372
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							
<i>Issue of shares:</i>							
– Issued in return for sponsorship services	57	368	–	–	–	–	425
– Placing	4,840	24,197	–	–	–	–	20,037
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

The notes on pages 41 to 65 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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 the United Kingdom (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.

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 66 to 70.

The financial statements are prepared for the year ended 31 December 2018.

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 2018.

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 2018, notably IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The nature and effect of these changes are discussed below.

The adoption of these revised standards and interpretations has not had an impact on the current and comparative figures recorded but they have changed disclosure.

IFRS 15 “Revenue from contracts with customers”

(i) Sale of goods

The Group’s contracts with customers for the sale of product generally include one performance obligation. The Group has concluded that revenue from the sale of product should be recognised at the point in time when control of the asset is transferred to the customer i.e. on the despatch of the product. This does not represent a change to the Group’s accounting policy and therefore, **the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.**

(ii) Presentation and disclosure requirements

As required for the financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 3 for disclosure on disaggregated revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. ACCOUNTING POLICIES continued

IFRS 9 “Financial instruments”

IFRS 9 replaces IAS 39 “Financial instruments: recognition and measurement” for annual periods beginning on or after 1 January 2018, which covers the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group applied the expected credit loss model when calculating impairment losses on its financial assets measured at amortised cost (trade and other receivables). The historical loss rate has typically been very low and the impact of incorporating forward looking information when establishing has not had a material impact on impairment provisions. **The impact of the application of IFRS 9 was not material to the net assets or profit for the period or prior period.**

New accounting standards, interpretations and amendments not yet effective

IFRS 16 – “Leases”

Adoption of IFRS 16 will result in the group recognising right-of-use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under current accounting requirements the group does not recognise related assets or liabilities, and instead spreads the lease payments on a straight-line basis over the lease term, disclosing in its annual financial statements the total commitment.

The Board has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on the Statement of Financial Position as at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date. At 31 December 2018 operating lease commitments amounted to £0.5 million (see note 23), which is not expected to be materially different to the anticipated position on 31 December 2019 or the amount which is expected to be disclosed at 31 December 2018. Assuming the Group’s lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately £0.4 million being recognised on 1 January 2019. However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in the actual liability recognised being higher than this.

Instead of recognising an operating expense for its operating lease payments, the group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets. This will reduce the underlying operating loss by the amount of its current operating lease cost, which for the year ended 31 December 2018 was approximately £0.2 million.

Going concern

The Directors are of the opinion that as at 19 March 2019, the Group and Parent Company’s liquidity and capital resources are adequate to deliver the current strategic objectives having considered projected cash flow information for a period including 12 months from the date of approval of these financial statements and that the Company and its subsidiaries remain a going concern.

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.

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.

(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 product's 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.

(iv) Practical exemptions

The Group has taken advantage of the practical exemption not to account for significant financing components where the time difference between receiving consideration and transferring control of goods to its customer is less than one year.

Segment reporting

The Directors have determined that six operating segments exist under the terms of International Financial Reporting Standard 8 "Operating Segments". The Group is organised between core business which covers all sales made from the UK entity, (this will include sales into International markets through both the UK website and International distributors), Football (includes sales to consumers in football), PhD Nutrition sales and sales in each of the international subsidiaries in the US, Australia and Italy.

The prior year consisted of two segments and this has been restated to show the six segments for comparison.

Use of non-GAAP profit measure – underlying operating loss

The Directors believe that the operating loss before depreciation, amortisation, share based payments and costs relating to the acquisition of PhD 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 underlying operating loss to statutory operating loss is set out on the face of the consolidated Statement of Comprehensive Income.

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

CONTINUED

1. ACCOUNTING POLICIES continued

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.

Leased assets

Leases, which contain terms whereby the Group does not assume substantially all the risks and rewards incidental to ownership of the leased item, are classified as operating leases. Operating lease rentals are charged to profit or loss on a straight line basis over the lease term. The Group does not hold any assets under finance leases.

Interest income

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

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.

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.

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.

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 (see section related to critical estimates and judgements below).

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

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

CONTINUED

1. ACCOUNTING POLICIES continued

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.

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.

Financial instruments

Financial assets

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. The Group does not have any financial assets measured at fair value through profit and loss.

Financial assets measured at amortised costs are recognised, when the Group becomes a party to the contractual provisions of the instrument, initially at their fair value (plus transaction costs) and subsequently at amortised cost using the effective interest method. If an asset is judged to be impaired the carrying amount of the asset will be adjusted to its impaired valuation.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. The methodology adopted is described in note 15.

Financial liabilities

The Group's financial liabilities comprise trade and other payables. These are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

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.

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.

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.

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.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

In the course of preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies that have had a significant effect on amounts recognised in the financial statements.

Estimates and judgements 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) Recognition of product rebates

Product rebates offered to certain customers are treated as a reduction in sales. Where the rebates are volume related an estimate for the reporting period is included for the expected sales relevant to each customer contract period.

(ii) Intangible assets

Intangible assets are recognised on the acquisition of PhD Nutrition in relation to brands and customer relationships. The fair value of these assets are determined by discounting estimated future net cash flows generated by the assets where no active market for the assets exists. These are assessed based upon management forecasts. Key assumptions are those regarding discount rates, growth rates, brand royalty rates and customer attrition.

As the acquisition was completed shortly before the year end management have not identified any material variances from the assumptions used. The performance of PhD post acquisition will be monitored closely for any future indicators of impairment.

(iii) Recognition of deferred tax asset

The carrying value of deferred tax assets are disclosed in note 18. 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. At the point of acquisition PhD Nutrition has historically realised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

2. FINANCIAL RISK MANAGEMENT

2.1 Financial risk factors

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 whilst at the same time securing favourable market rates of interest on Group cash deposits using money market deposits with banks.

(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.

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. Where large contracts of more than £50,000 total value are to be settled in foreign currencies consideration is given to converting the appropriate amounts to or from UK Pounds at the outset of the contract to minimise the risk of adverse currency fluctuations.

The Directors consider that given the value of transactions in foreign currencies during the year, and the prior year, there has been no material exposure to foreign currency rate risk, although this is likely to change in the future as export markets are developed. See note 16 for analysis of cash balances by currency.

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 borrowings and therefore no interest rate swaps or other forms of interest risk management have been undertaken.

(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) and deposits are made in Sterling only.

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 39.0% (2017– 45.5%) of the Group's revenue and hence there is some risk from the concentration of customers, however the largest single customer is only 13.3% (2017 – 14.0%) of revenue and is a major international business. As at 31 December 2018, the provision for doubtful debts totalled £43,000 (2017 – £43,000). The Board believes no further provision is required for doubtful debts.

(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 £8.0 million (2017 – £2.8 million) as disclosed in note 17.

2.2 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.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
- enable users to understand the relationship with revenue segment information provided in note 5.

Year to 31 December 2018

Contract Counterparties	Core £'000	Football £'000	USA £'000	Italy £'000	APAC £'000	PhD £'000	Total £'000
Retailers	4,609	418	–	140	331	1,054	6,552
Distributors	3,150	–	64	208	–	451	3,873
Direct to consumers (online)	8,291	237	1,307	636	422	–	10,893
Total	16,050	655	1,371	984	753	1,505	21,318

Year to 31 December 2017

Contract Counterparties	Core £'000	Football £'000	USA £'000	Italy £'000	APAC £'000	PhD £'000	Total £'000
Retailers	4,413	–	–	–	299	–	4,712
Distributors	2,212	–	–	246	–	–	2,458
Direct to consumers (online)	7,279	–	416	362	388	–	8,445
Total	13,904	–	416	608	687	–	15,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

4. ACQUISITIONS

On 6 December 2018 the Group acquired the entire share capital of PhD Nutrition Ltd (“PhD”) for £32.0 million plus £2.8m working capital adjustment. PhD is a premium performance nutrition brand operating in the protein category through UK retail channels and international distributors. Strategic and financial benefits of the acquisition include complementary product ranges within the sports nutrition category, sales channel optimisation across the enlarged Group particularly online and international, as well as cost synergies through in-sourcing production of protein powders.

In the period between acquisition date and 31 December 2018, the acquired business contributed revenue of £1.5 million and a profit before tax of £0.1 million. If PhD had been acquired on the first day of 2018 Group revenue would have been £41.0 million and Group loss before tax would have been £3.3 million.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

Fair value of net assets acquired:

	Book value £'000	Adjustment £'000	Fair value £'000
Property, plant and equipment	94	–	94
Intangible assets	33	(33)	–
Intangible assets on acquisition:			
– Brands	–	8,957	8,957
– Customer relationships	–	5,638	5,638
Inventories	2,319	–	2,319
Cash and cash equivalents	2,743	–	2,743
Trade and other receivables	4,381	–	4,381
Trade and other payables	(3,877)	(362)	(4,239)
Deferred tax	19	(19)	–
Deferred tax – intangibles	–	(2,482)	(2,482)
Total identifiable net assets	5,712	11,699	17,411

Fair value of consideration paid:

	Fair value £'000
Cash	28,500
Consideration settled in equity (5,833,334 ordinary shares)	3,500
Equity value	32,000
Working capital adjustment	2,607
W&I insurance	202
Total Consideration	34,809
Goodwill	17,398

Cash outflow in respect of the acquisition comprised:

	£'000
Cash paid	31,106
Cash acquired	(2,743)
Total cash outflow	28,363

Acquisition costs amounting to £599,000 have been recognised as an expense and have been included as an exceptional item on the face of the consolidated statement of comprehensive income. Share placing costs of £1,357,000 relating to an equity raise to part fund the acquisition have been written off against the share premium account.

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition, opportunities for synergies in production, supply chain and sales channels.

5. 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 are strategic business units that operate in different markets. They are managed separately because each business requires different sales and marketing strategies. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM as described above.

The business has expanded significantly during 2018 and operating segments have been increased to provide greater granularity and to reflect the way the business is managed. The number of segments has expanded from two in 2017 to six in 2018, reflecting the growth of International markets and football as separate segments. This is consistent with changes to internal reporting to the CODM.

The Core segment manufactures and sells endurance sports nutrition in the UK through SiS.com, third-party retailers, grocers, high street and heartland bike shops. Also included in this segment is sales to Europe (excluding Italy) through distributors and online.

Sales through the Football website and of football products through any channel are included as a separate segment.

Each International subsidiary is also considered as a separate segment.

PHD was acquired by Science in Sport plc on 6 December 2018 and is reported as a separate segment. The PhD brand is a premium protein brand that appeals to the gym Lifestyle consumer.

The Board uses underlying operating loss (see note 1 for definition), reviewed on regular basis, as the key measure of the segment's performance. The segment profit is also stated before the allocation of central administration costs and Directors' salaries. The products of the operating segments are detailed in the Accounting Policies note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

5. SEGMENTAL REPORTING continued

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

Turnover by geographic destination of sales may be analysed as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
United Kingdom	14,062	11,217
EU excluding the UK	3,849	2,880
Australia	755	680
Rest of the World	2,652	838
	21,318	15,615

	Segment revenue		Segment profit/(loss)	
	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Core	16,047	13,907	2,033	463
USA	1,373	418	(2,451)	(1,055)
Italy	983	610	(608)	(433)
Australia	755	680	(545)	(679)
Football	655	–	(1,113)	–
PhD	1,505	–	136	–
	21,318	15,615	(2,548)	(1,704)
Depreciation and amortisation			(926)	(567)
Share based payments			(1,922)	(1,581)
Costs associated with acquisition of PhD			(599)	–
Loss from operations			(5,995)	(3,852)

Segment revenue reported above represents revenue generated from external customers.

The 2017 numbers have been restated due to the change in the composition of operating segments.

	Segment assets		Segment liabilities	
	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Core	14,313	10,551	(2,770)	(2,489)
USA	945	455	(240)	(85)
Italy	521	86	(117)	(75)
Australia	698	436	(153)	(89)
Football	–	–	–	–
PhD	41,499	–	(6,295)	–
	57,976	11,528	(9,575)	(2,738)
Unallocated assets/(liabilities)	2,272	14,090	(856)	(72)
Total assets/(liabilities)	60,248	25,618	(10,431)	(2,810)

Goodwill and intangibles recognised on acquisition are included in the PhD segment.

Unallocated assets includes cash held by the parent company of £2,185,000 (2017 – £14,090,000).

Revenue from one customer in the Core segment of £2,632,000 individually exceeds 10% of Group revenue (2017 – one, £2,181,000). All non-current assets, except for an immaterial amount of fixed assets, are located in the UK.

6. OPERATING EXPENSES

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Sales and marketing costs	10,753	7,982
Operating costs	3,750	3,037
Depreciation and amortisation	926	567
Share based payment charge ¹	1,922	1,581
Costs associated with acquisition of PhD	599	–
Administrative expenses	7,197	5,185
Total operating expenses	17,950	13,167

1. Includes associated social security costs of £93,000 (31 December 2017 – £84,000) and consideration in respect of sponsorship services of £425,000 (31 December 2017 – £125,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

7. LOSS FROM OPERATIONS

Loss from operations is stated after charging:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Amortisation of intangible assets	555	307
Depreciation of property, plant and equipment	371	260
Research and development costs	320	339
Grant income in respect of research and development tax credits	(60)	(125)
Foreign exchange losses/(gains)	(161)	121
Loss on disposal of property, plant and equipment	–	17
Operating lease costs	177	196

Auditor's remuneration

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Audit services		
– Audit fees in respect of the parent company and consolidation	43	18
– Audit fees in respect of the subsidiary accounts	44	27
Non-audit services		
– Corporation tax compliance	7	7
– Other taxation advisory	30	–
– Corporate finance fees	107	–
Total fees	231	52

8. WAGES AND SALARIES

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

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Sales and marketing	56	37
Manufacturing	63	55
Administration	18	8
Directors	5	4
	142	104

Their aggregate emoluments were:

	£'000	£'000
Wages and salaries	4,723	3,714
Directors' fees	118	115
Social security costs	542	355
Pension and other staff costs	160	118
Total cash settled emoluments	5,543	4,302
Share based payments – equity settled	1,404	1,372
Share based payments – social security costs	93	83
Total emoluments	7,040	5,757

9. DIRECTORS' AND KEY MANAGEMENT PERSONNEL REMUNERATION

Amounts paid to the Directors of the Parent company:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Directors		
Aggregate emoluments and fees	552	491
Benefits in kind	6	5
Pension contributions	9	9
Total emoluments	567	505
Share based payment remuneration charge: equity settled	982	940
Total Directors' emoluments	1,549	1,445

Directors' fees of £36,000 (2017 – £35,000) for one Director are paid through a Limited Liability Company.

During the year, one Director participated in defined contribution pension schemes (year ended 31 December 2017 – one).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

9. DIRECTORS' AND KEY MANAGEMENT PERSONNEL REMUNERATION *continued*

The number of Directors who participated in the long term incentive programme was 3 (2017 – 3).

No share options were exercised by any Director during the period.

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 on pages 32 to 35.

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 2018 £'000	Year ended 31 December 2017 £'000
Remuneration and short term benefits	1,059	916
Post-employment benefits	30	30
Share based payments	1,404	1,373
	2,493	2,319

10. TAXATION

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'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	–	–
Origination and reversal of temporary differences	119	246
Tax on loss for the period	115	246

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loss before tax	5,990	3,852
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2017 – 19.25%)	1,138	741
Effects of:		
Expenses not deductible for tax purposes	(7)	(289)
Unprovided deferred tax asset on losses carried forward	(575)	–
Additional deduction for R&D expenditure	(34)	(72)
Share scheme deduction	(147)	(14)
Effect of changes in tax rate	(31)	(3)
Adjustment in respect of prior periods	(229)	(94)
Capital allowances in excess of depreciation	–	(23)
Total tax credit for the period	115	246

At 31 December 2018 UK tax losses of the Company available to be carried forward are estimated to be £10,100,000 (31 December 2017 – £6,307,000).

Deferred tax balances are valued at the rate of 17% in these accounts to the extent that timing differences are expected to reverse after this later date.

11. 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 2018	Year ended 31 December 2017
Loss for the year attributable to owners of the parent – £'000	(5,875)	(3,606)
Weighted average number of shares	71,422,400	46,695,814
Basic and diluted loss per share – pence	(8.2p)	(7.7p)

The number of vested but unexercised share options is 5,428,949 (2017 – 4,733,600). In relation to the LTIP award for 2018 it is expected that a further 1,015,212, share options will vest in March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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12. INTANGIBLE ASSETS

	Goodwill £'000	Brands £'000	Customer relationships £'000	Website and software development £'000	Product development £'000	Total £'000
Cost						
At 31 December 2016	–	–	–	1,058	185	1,243
Additions	–	–	–	627	172	799
Disposals	–	–	–	(40)	–	(40)
At 31 December 2017	–	–	–	1,645	357	2,002
Additions	–	–	–	787	158	945
Acquisitions (note 4)	17,398	8,957	5,638	–	–	31,993
At 31 December 2018	17,398	8,957	5,638	2,432	515	34,940
Amortisation						
At 31 December 2016	–	–	–	335	24	359
Charge for year	–	–	–	252	55	307
Disposal	–	–	–	(23)	–	(23)
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
Net book value						
At 31 December 2018	17,398	8,882	5,591	1,539	332	33,742
At 31 December 2017	–	–	–	1,081	278	1,359

At 31 December 2018, the Group had capital commitments £133,000 relating to website development and SAP development costs (31 December 2017 – £215,000).

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. However the goodwill as at the balance sheet date relates entirely to the acquisition of the PhD Nutrition CGU, which was acquired close to the year end and we consider that no adverse changes have occurred post acquisition to the balance sheet date.

13. 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 2016	457	1,145	698	–	2,300
Additions	4	92	143	16	255
At 31 December 2017	461	1,237	841	16	2,555
Additions	20	134	363	–	517
Acquisitions (note 4)	25	12	57	–	94
At 31 December 2018	506	1,383	1,261	16	3,166
Depreciation					
At 31 December 2016	310	654	538	–	1,502
Charge for the year	32	142	86	–	260
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
Net book value					
At 31 December 2018	98	426	500	9	1,033
At 31 December 2017	119	441	217	16	793

14. INVENTORIES

	31 December 2018 £'000	31 December 2017 £'000
Raw materials	2,164	883
Finished goods	4,938	1,830
	7,102	2,713

There is a provision of £27,000 included within inventories in relation to the impairment of inventories (31 December 2017 – £27,000).

During the period inventories of £9,094,000 (year ended 31 December 2017 – £6,189,000) were recognised as an expense within cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

15. TRADE AND OTHER RECEIVABLES

	31 December 2018 £'000	31 December 2017 £'000
Trade receivables	7,513	1,947
Less: provision for impairment of trade receivables	(43)	(43)
Trade receivables – net	7,470	1,904
Other receivables	480	436
Total financial assets other than cash and cash equivalents classified as amortised cost	7,950	2,340
Prepayments and accrued income	989	511
Total trade and other receivables	8,939	2,851

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 ruling exchange rate as at 31 December 2018. 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 the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Group operates.

At 31 December 2018 the lifetime expected loss provision for trade receivables is as follows:

	More than 60 days past due	More than 90 days past due	Total
Expected loss rate (%)	2%	7%	
Gross carrying amount (£'000)	501	475	
Loss provision (£'000)	10	33	43

As at 31 December 2018 trade receivables of £43,000 (2017: £nil) had lifetime expected credit losses of the full value of trade receivables.

16. CASH AND CASH EQUIVALENTS

	31 December 2018 £'000	31 December 2017 £'000
Cash at bank and in hand	8,002	16,570

Cash at bank and in hand is made up of the following currency balances:

British pound	5,418	15,385
Euro	1,587	812
US Dollar	619	233
Australian Dollar	378	140
	8,002	16,570

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

17. TRADE AND OTHER PAYABLES

	31 December 2018 £'000	31 December 2017 £'000
Trade payables	4,661	1,222
Accruals	2,631	1,382
Total financial liabilities measured at amortised cost	7,292	2,604
Other taxes and social security	678	206
Total trade and other payables	7,970	2,810

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

All amounts shown fall due within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

18. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (year ended 31 December 2017 – 18%). 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 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

Year ended 31 December 2017:

	Asset £'000	Liability £'000	Net £'000	(Charged)/ credited to profit or loss £'000
Accelerated capital allowances	–	(113)	(113)	(10)
Available losses	767	–	767	45
Other temporary and deductible differences	678	–	678	211
Business combinations	–	–	–	–
Tax asset/(liabilities)	1,445	(113)	(1,332)	246
Set off of tax	(113)	113	–	–
Net tax assets/(liabilities)	1,332	–	(1,332)	246

Recoverability of deferred tax asset

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 will be generated in the foreseeable future. At the point of acquisition PhD Nutrition has historically realised 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.

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 2017	66,824,821	6,683
Sponsorship consideration 24 January 2018	436,241	43
Sponsorship consideration 27 March 2018	136,612	14
Treasury shares issued 10 May 2018	342,129	34
Firm Placing of shares issued 6 December 2018	46,533,333	4,654
Shares issued to Liberum as fee payment 6 December 2018	1,861,333	186
Consideration shares issued 6 December 2018	5,833,334	583
At 31 December 2018	121,967,803	12,197

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

On 24 January and 27 March the Company issued 436,241 and 136,612 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 £425,000, this represented the market price for the sponsorship services provided.

On 10 May 2018 the Company issued 342,129 new Ordinary shares of 10p each to the Employee Benefit Trust to satisfy share options granted in 2018. At 31 December 2018 the Employee Benefit Trust held in reserve 3,726,036 new Ordinary shares of 10p each to be issued as share options (2017 – 3,972,986 new Ordinary shares of 10p each).

On 6 December 2018 the Company issued 48,394,666 new Ordinary shares of 10p each at a price of 60p per share raising gross proceeds of £29,037,000 of which 1,861,333 Ordinary shares were used to settle related transaction costs. The net cash inflow from the placing was £27,920,000.

On 6 December 2018 the Company issued 5,833,334 as part of the consideration for the acquisition of PhD Nutrition as detailed in note 4.

20. SHARE OPTIONS

In June 2014 the Company adopted a new 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 2018 3,726,036 unsettled options 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

20. SHARE OPTIONS continued

Further information regarding the SOP scheme may be found in the Remuneration report.

The total charge for the year relating to employee share based payment plans was £1,404,000 (2017 – £1,372,000), all of which related to equity settled share based payment transactions. Total social security costs of £93,000 (2017 – £84,000) have also been recognised and included in the share based payment charge of £1,922,000 (2017 – £1,581,000) disclosed on the face of the consolidated statement of comprehensive income.

Options granted during the period

During the year ended 31 December 2018 options were granted under the short term incentive plan with regard to performance in the year ended 31 December 2017, and under the long 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
21 March 2018	nil	342,129	73p

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 2017	nil	–	5,996,861
Granted during year	nil	–	1,781,988
Exercised	nil	74p	(417,937)
Forfeited during year	nil	–	–
Outstanding at 31 December 2017	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

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 2018 was 7.6 years (31 December 2017 – 8.6 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
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 2018 a loss of £125,000 was recognised (2017 – £78,000 gain) 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 2018 amounted to £155,000 (period ended 31 December 2017 – £118,000). Pension contributions payable but not yet paid at 31 December 2018 totalled £22,000 (31 December 2017 – £17,000).

23. OPERATING LEASE COMMITMENTS

Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 December 2018 £'000	31 December 2017 £'000
Expiring:		
Due within 1 year	147	196
Due between 2 years and 5 years	326	327
	473	523

Operating lease payments primarily represent rentals payable by the Group for properties. The leases have various terms, escalation clauses and renewal rights typical of lease agreements for the class of asset.

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

	31 December 2018 £'000	31 December 2017 £'000
Financial assets measured at amortised cost	15,952	18,910
Financial liabilities measured at amortised cost	7,292	2,604

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

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Assets			
Non-current assets			
Investments	4	47,216	10,578
Current assets			
Other receivables	5	16,519	8,418
Cash and cash equivalents		2,185	14,090
Total current assets		18,704	22,508
Total assets		65,920	33,086
Liabilities			
Current liabilities			
Trade and other payables	6	(493)	(71)
Total current liabilities		(493)	(71)
Net current assets		18,211	22,437
Total net assets		65,427	33,015
Capital and reserves attributable to owners of the Parent company			
Share capital	7	12,197	6,683
Share premium reserve		48,464	22,339
Share options reserve		6,218	4,814
Employee Benefit Trust reserve		(372)	(397)
Retained deficit		(1,080)	(424)
Total equity		65,427	33,015

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 loss for the period was £597,000 (period ended 31 December 2017 – £Nil).

These financial statements were approved and authorised for issue by the Board on 19 March 2019 and signed on its behalf by:

STEPHEN MOON

Director

The notes on pages 69 to 70 form part of these Parent company financial statements.

Company number 08535116

PARENT COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Cash flows from operating activities		
Loss after tax	(597)	–
Operating cash outflow before changes in working capital	(597)	–
Changes in other receivables and investments	(88)	(1)
Changes in trade and other payables	215	71
Total cash outflow from operations	(470)	70
Cash flow from investing activities		
Acquisition of subsidiary	(31,106)	–
Interest received	4	–
Financing operations of subsidiary	(8,013)	–
Net cash outflow from investing activities	(39,115)	–
Cash flow from financing activities		
Proceeds from issue of share capital	27,920	14,848
Expenses paid on share issues	(240)	(828)
Net cash inflow from financing activities	27,680	14,020
Net increase/(decrease) in cash and cash equivalents	(11,905)	14,090
Opening cash and cash equivalents	14,090	–
Closing cash and cash equivalents	2,185	14,090

The notes on pages 69 to 70 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 2016	4,322	10,331	3,442	(215)	(382)	17,498
Total comprehensive loss for the year	–	–	–	–	–	–
Transactions with owners						
<i>Issue of shares:</i>						
– Issued in return for sponsorship services	16	109	–	–	–	125
– Placing	2,121	12,727	–	–	–	14,848
Transaction costs of placing	–	(828)	–	–	–	(828)
Issue of shares to EBT	224	–	–	(224)	–	–
Issue of shares held by EBT to employees	–	–	–	42	(42)	–
Share based payments	–	–	1,372	–	–	1,372
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						
<i>Issue of shares:</i>						
– 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	6,218	(372)	(1,080)	65,427

The notes on pages 69 to 70 form part of these Parent company financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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.

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.

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 loss for the period was £597,000 (period ended 31 December 2017 – £Nil).

The auditors remuneration for audit and other services is disclosed in Note 7 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 8 of the consolidated financial statements.

4. INVESTMENTS

	£'000
At 31 December 2016	9,081
Capital contribution	1,497
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 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 CONTINUED

4. INVESTMENTS continued

At 31 December 2018 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 2018 £'000	31 December 2017 £'000
Amounts falling due within one year		
Amounts owed by SiS (Science in Sport) Limited	16,429	8,416
Other receivables	90	2
At 31 December 2018	16,519	8,418

6. OTHER PAYABLES

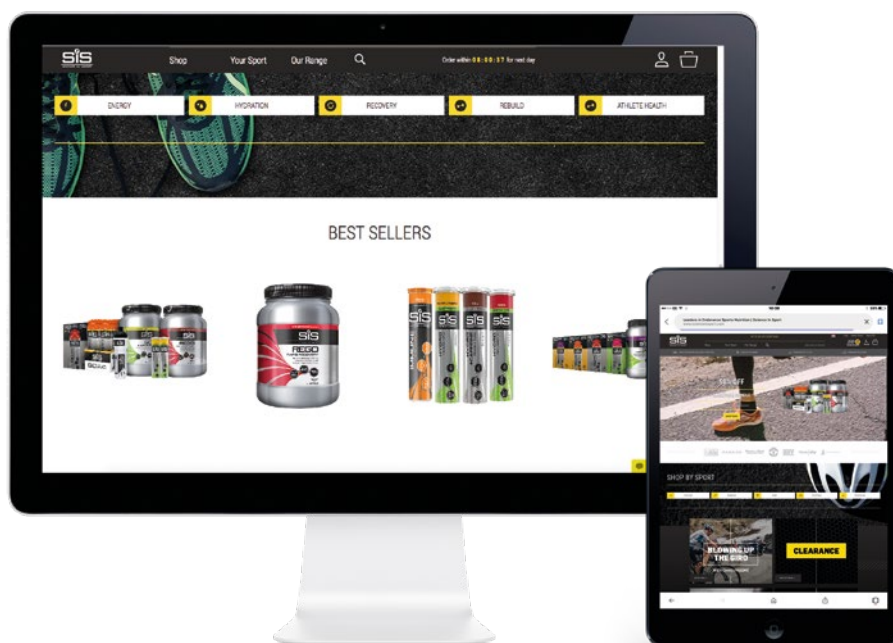
	31 December 2018 £'000	31 December 2017 £'000
Amounts falling due within one year		
Trade payables	155	18
Accruals	338	53
At 31 December 2018	493	71

7. SHARE CAPITAL

Details of the share capital of the Company are included in note 19 to the consolidated financial statements.

COMPANY INFORMATION

Company number	08535116
Directors	JM Clarke T Wright R Duignan SN Moon E Lake
Audit committee	R Duignan (Chairman) JM Clarke E Lake
Remuneration committee	SN Moon JM Clarke (Chairman)
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
Auditors	BDO LLP 2 Blagrove Street Reading RG1 1AZ



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