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sin Chris Hoy, MBE



KATARINA JOHNSON-THOMPSON



SCIENCE IN SPORT PLC ANNUAL REPORT & ACCOUNTS

12 MONTHS ENDING 31ST DECEMBER 2016



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Notes

Science in Sport plc

Annual report and accounts
Year ended 31 December 2016

Company number 08535116

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Highlights

Financial Highlights in the twelve month period

- Revenues increased by 30% to £12.24 million (2015: £9.45 million) significantly ahead of market growth, with particularly strong growth in online channels and international markets;
- New product development continued to be a key growth driver, and delivered £0.8m of sales in the year (2015: £0.6m) contributing 29% to overall revenue growth;
- Newly launched Australian business performed ahead of plan, USA and Italy structures established in Q3;
- Gross profit increased to £7.4m (2015: £5.5m) a gross margin improvement of 1.8% to 60.3%, reflecting factory efficiency improvements;
- Underlying operating loss* of £0.8m (2015: £0.25m) in line with growth strategy and expectations, reflecting continued investment in brand awareness, e-commerce and international expansion;
- Cash and cash equivalents of £6.13 million (2015: £8.75 million) reflect investment in brand, new markets and infrastructure efficiencies;
- Strong start to 2017 sales.

* excludes depreciation and amortisation, non-cash share based payments and exceptional items

Operational Highlights

- Consistent investment in brand resulted in further improvements in brand awareness and usage
- 49% of revenue was derived from online channels, forecast to increase to more than 50% in 2017;
- Continued investment in e-commerce platform:
 - Delivered 100% year on year growth
 - German, Italian and Dutch and USA site launches in Q3 2016
- Third party business to consumer logistics established in USA ahead of 2017 hard launch;
- Innovation and new product development
 - Novel Whey 20 ready to consume protein ahead of plan
 - Electrolyte Go gels and SiS Immune launched in 2016
 - Strong launch pipeline for 2017 with major new technologies being developed for 2018;
- Significant line efficiency improvements in factory underpinned margin improvement;
- Investment in e-commerce picking and packing hardware and systems improved service levels while reducing costs;
- Further enhanced world-class banned substance testing regime introduced January 2017
- New brand partnerships including British Cycling, USA Cycling and Liverpool FC
- Continued investment in people:
 - Elizabeth Lake joined as Financial Director July 2016 and Tim Wright as Non-Executive Director in September 2016
 - Science capability further enhanced with appointments of Dr Rob Child and Dr James Morton, globally recognised sports science experts.

Chairman's and Chief Executive's joint review

Overview and Strategy

We are delighted to announce a strong set of results for the year ended 31 December 2016. Revenue of £12.24m for the year was 30% ahead of the same period in 2015 and saw the Company deliver a fourth consecutive year of strong revenue growth. Growth was well ahead of the 8% CAGR forecast by Euromonitor for 2016 for the sports nutrition sector in the UK.

The Company's growth strategy is predicated on consistent investment in science and innovation, developing brand awareness, building e-commerce capability and reach through its scienceinsport.com e-commerce platform and developing new International markets. In our core UK market, we remain committed to a multi-channel distribution strategy in all Online and Retail channels. We underpin growth by seeking to maintain and grow gross margin, while limiting overhead growth, to benefit from operational gearing.

The Board believes there continues to be significant growth opportunities for the Company over the next few years and in order to maximise this SiS raised £8.7 million before costs in November 2015 to fund growth in existing and new markets, as well as continuing to support the development of our e-commerce business. If appropriate, we will consider acquisitions to complement our existing product range and to deliver synergies from our distribution, e-commerce and supply chain capabilities.

Brand and Range

Our brand strategy is consistently invest in building equity in the SiS brand, which is widely recognised by professional and elite athletes. SiS is a leader in science and innovation, supported by world-class in-house expertise, together with a range of collaborations with academic institutes, elite athletes and sports teams. Further differentiation is derived from the Company's factory in Lancashire which has Informed Sports accreditation. Our banned substance testing regime was further enhanced at the beginning of 2017. We are confident that our leading, full supply chain approach to preventing banned substances across our products, is best in class in the sports nutrition industry globally.

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, triathletes, rowers, tennis players and runners. More recently the brand has started to extend into new sports including professional football at the highest level and international rugby.

SiS products are endorsed by the Company's Brand Ambassadors, including Sir Chris Hoy MBE and heptathlete Katarina Johnson-Thompson. Mark Cavendish MBE is an Elite Sports Consultant to the brand. SiS is an official nutrition supplier to professional cycling team Team Sky and both British Cycling and USA Cycling as well as Liverpool Football Club. The Company works closely with its Ambassadors and partners on product innovation. SiS also benefits from a close relationship with organisations and training centres focused on athlete development, including the English Institute of Sport.

SiS products are designed to sustain performance, to aid recovery and to build lean muscle. The core product range comprises five key product lines:

- SiS GO isotonic powders and gels - easily digestible carbohydrates for use during exercise
- SiS hydration products - including SiS GO Hydro tablets and SiS GO Electrolyte powders
- SiS GO Bars - cereal-based food bars
- SiS REGO range - drinks and protein bars for recovery after training
- SiS Protein – a whey protein range for lean muscle development, including the novel WHEY 20 ready to consume protein product

Chairman's and Chief Executive's joint review

Overview of the financial year

The year ended 31 December 2016 saw sales up 30% at £12.24 million (2015: £9.45 million). E-commerce sales, both from our own website and Third-party Online retailers were particularly strong, reflecting the continued investment in brand awareness and e-commerce technology and management. Our International channels also grew significantly over the period under review. We believe that in our marketplace of endurance sport nutrition we delivered sector leading revenue growth, both organic growth and by taking market share from key competitors.

The underlying operating loss was in line with management expectations at £0.80 million (2015: £0.25 million loss) and this reflected continued investment in marketing, sales and e-commerce of £5.93 million (2015: £3.68 million).

Overheads excluding sales and marketing were £2.25 million (2015: £2.09 million) for the year. Management continue to seek to limit underlying overheads to single digit per cent increases in the future.

Depreciation and amortisation costs of £0.42 million (2015: £0.36 million), non-cash share-based payments related to short and long-term management incentive schemes of £1.57 million (2015: £1.00 million) and exceptional costs of £Nil (2015: £0.12 million), resulted in a pre-tax loss of £2.79 million (2015: pre-tax loss £1.73 million).

Net cash and cash equivalents at the year-end were £6.13 million (31 December 2015: £8.75 million). The reduction in cash reflects investment in brand, new markets and infrastructure efficiencies.

Non-cash share-based payments amounting to £1.57 million (2015: £1.00 million), which have been excluded from underlying operating loss, continue to reflect the grant of options to employees under the Company Long Term Incentive Plan ("LTIP") and the decision of management to receive awards under the Short Term Incentive Plan ("STIP") in shares as opposed to cash.

Sales Channels

The Company's sales channels comprise our Heartland of independent sports retailers, major Grocers, High Street Chains, Third-Party Online retailers, International sales and our own e-commerce platform.

Our e-commerce platform was a focus again during 2016 and delivered 100% growth, as we continued to invest in developing our consumer database and driving stronger conversion and improved loyalty. A new platform was introduced in early 2016 to further enhance trading effectiveness, and to allow for commerce in a range of territories and currencies. Websites were launched in Germany, Italy, Netherlands and the USA late in 2016 and trading in 2017 is promising. Third-party Online retailers, led by Wiggle, Chain Reaction and Amazon also delivered another year of outstanding growth, as we continued to invest in this channel. Overall 49% of revenue was derived from Online channels and we expect more than half our business in 2017 to be through these channels.

We worked very closely with the leading five major Grocery chains during the year. Growth of 25% was slightly ahead of our expectations for the year, and was delivered through distribution gains and good uptake of our innovation pipeline. We expect the Grocer channel to deliver solid results again in 2017. High Street revenue declined in 2016 for SiS, reflecting the wider difficult market conditions in this channel. The Heartland of independent cycle and running shops also had a challenging year, declining 7% from 2015, however we were pleased to broaden distribution in this important and opinion leading channel. We remain committed to our multi-channel distribution strategy.

International sales grew significantly and some 22% of total revenues came from existing and new overseas markets. Our new Australian subsidiary exceeded plan delivering over £0.5 million revenue. In addition, our strategic Heartland distributor Shimano performed exceptionally well across all geographies in Europe. We saw very strong growth from the Italian market both through our own new website and Heartland distributors. We expect the Italian market to deliver strong growth in 2017 and have recently appointed an

Chairman's and Chief Executive's joint review

Italian Country Manager. The USA subsidiary was set up in late 2016 and we have had a promising start to 2017, with a new website launched, a distribution hub in place and a new Country Manager.

Product Innovation

Trust, quality and innovation are the key qualities for which SiS is recognised and we continue to invest in this strategically important area. Once again, innovation has been a key driver of growth, with 7% of sales and 29% of total revenue growth coming from new products, continuing the trend of the previous three years.

We were delighted to launch our novel WHEY20 ready to consume protein product in Q1 2016 and sales have exceeded expectations. This was the largest launch in the history of SiS in terms of distribution gained and investment in marketing the new product. WHEY20 is the subject of new patent applications by SiS. SiS Immune tablets and SiS GO Electrolyte Gels ranges with caffeine were also launched in 2016 and have exceeded initial targets.

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 2017 is very strong. We are also investing in major new technologies for 2018 onwards.

Supply chain

Gross margin at our Lancashire manufacturing facility was 60.3%, with an increase of 1.9% from the previous period. This gain reflects the efficiency improvements achieved through investment in the gel and bar lines. In addition, investment in the ecommerce picking and packing technology has improved customer service and reduced carriage costs.

Our banned substance testing regime was also enhanced at the beginning of 2017. We are confident that our leading, full supply chain approach to preventing banned substances across our products, is best in class in the sports nutrition industry globally.

The low-cost base of the Nelson site, together with the controls afforded in the banned substance testing programme, continue to provide a strategic advantage for the Company.

People

The Board was pleased to announce the appointment of Elizabeth Lake as Finance Director on 6 May 2016, effective from 18 July 2016. She has extensive financial and commercial experience having been Finance Director at Hugo Boss prior to joining and having listed company experience at Marks & Spencer, Pearson and Thomson Reuters

The Board was also pleased to announce the appointment of Tim Wright as Non-Executive Director on 21 September 2016. Tim brings extensive industry knowledge and international experience to the Board, as well as his marketing expertise, gained in his role as global Chief Marketing Officer for GlaxoSmithKline Healthcare.

In September 2016, we were delighted to welcome Dr Robert Child as Chief Scientific Officer and Dr James Morton as World Class Knowledge Director as part of our Leadership Team. These globally recognised sports science practitioners further enhanced our science and innovation credentials in the industry.

We continued to further strengthen the commercial team during 2016, with e-commerce seeing a number of new appointments to support high growth in both core and new International markets. Early in 2016 we strengthened the marketing team and during the year added new management in International sales.

The Board wishes to thank all the team in London and Nelson and the strategic International markets for their professionalism, enthusiasm and dedication in delivering another sector leading performance for the Company.

Chairman's and Chief Executive's joint review

Outlook

We are seeking to achieve further strong revenue growth in 2017 and the year has started strongly for us. Science and Innovation, brand investment, e-commerce and International growth will be the four pillars of this growth.

Australia continues to perform well, the Italian market is expected to deliver a strong year, and we are bringing resource to bear on our new US business in Q2.

The innovation pipeline for 2017 is very strong and the first launch, SIS GO Caffeine Shot, is now in market. A number of launches will reach the market in Q2 and Q3.

We continue to invest heavily in brand awareness in all markets, as well as aggressively building our e-commerce consumer database and seeking to improve conversion and loyalty.

We look forward to 2017 with optimism as we continue to build SIS as a global leader in the endurance sports nutrition market.

John Clarke
Non-Executive Chairman

Stephen Moon
Chief Executive

22 March 2017

Strategic report

The Strategic report should be read in conjunction with the Chairman's and Chief Executive's Joint review on pages 2 to 5, the Group financial statements on pages 22 to 25 and the Notes to the Group financial statements set out on pages 26 to 45.

The Annual Report and Accounts ("Annual Report") for the Company and the Group are presented under International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial statements of the parent company are set out on pages 46 to 50.

Company strategy

SiS seeks to maximise its product sales by undertaking the following actions:

- working closely with elite athletes and research partners to develop advocacy of SiS products by the elite sports community;
- investing in and developing SiS products with superior performance characteristics and quality;
- making SiS products available, both in the UK and internationally, through both traditional retailers and e-commerce sales;
- effective marketing of SiS products, including advertising, sponsorship and social media; and
- efficiency of production in terms of both low cost and high customer service levels.

Further detail of the Company strategy is included in the Chairman's and Chief Executive's Joint review on pages 2 to 5.

Market opportunity

UK Sports Nutrition is expected to continue to grow with a compound annual growth rate of 8% in constant value terms in the period 2014-2019 reaching value sales of £527 million. Protein powder remains the largest Category in UK Sports Nutrition with value sales of £138 million. Protein bars and protein ready-to-drink products continue to display the fastest growth rates as consumers continue to switch to convenient on-the-go single serve nutrition products.

Moving into the US market, with the formation of a wholly owned subsidiary, is a strategic move to access the sports nutrition market in that geographical location, which remains the biggest market globally for sports nutrition. We are establishing ourselves in the West Coast initially where the awareness and usage of sports nutrition among athletes is high.

US Sport Nutrition is expected to continue to grow with a compound annual growth rate of 10% in constant value terms in the period 2013-2018 reaching value sales of \$8,557 million (£5,984 million). Protein powder remains the largest Category in US Sports Nutrition with value sales forecast at \$5,081 million (£4,049 million) in 2016. Protein ready-to-drink has experienced the strongest % growth historically and is forecast to grow 10.3% per annum to 2018 to \$952 million (£758 million).

Australia continues to be a strategic focus, with 2016 our launch year exceeding targets.

According to Euromonitor, it remains the second biggest market for sports nutrition globally. Australian Sport Nutrition is expected to continue to grow with a compound annual growth rate of 6% in constant value terms in the period 2014-2019 reaching value sales of AUD 1,071 million (£550 million). Protein powder remains the largest Category in Australian Sports Nutrition with estimated value sales of AUD 451 million (£277 million) in 2016. Protein ready to drink has experienced the strongest value growth of historically and is forecast to grow 7% per annum to 2019.

Other markets to be penetrated include Italy and other European territories where we are focussing with our own E-commerce platform, 3rd party retailers and premium distributors.

Statutory audited results for the year ended 31 December 2016

In the year under review revenue was £12.24 million, gross margin achieved was 60.3% and there was an underlying operating loss of £0.80 million. These results are in line with the Board's expectation. The loss from operations is £2.79 million which is stated after depreciation, amortisation, share based payments and exceptional costs.

Strategic report

At the reporting date the Company held inventory of £2.24 million (31 December 2015: £1.47 million). Trade and other receivables were £2.22 million (31 December 2015: £1.25 million) and equates to 49 debtor days (2015: 50 days). Cash balance as at 31 December 2016 of £6.13 million (31 December 2015: £8.75 million), the reduction primarily relates to investment in brand, new markets and infrastructure efficiencies together with working capital requirements.

Revenue

The Company has continued to grow strongly during the year ended 31 December 2016, with sales up 30% at £12.24 million (2015: £9.45 million). 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 half of the business revenues are derived from e-commerce sales across our own platform and third party.

In 2016, the Company also continued to invest in product innovation and launched a number of new products. We launched our novel WHEY20 ready to consume protein product during Q1 2016 and sales have exceeded plan. This was the largest launch in the history of SiS in terms of distribution gained for launch and investment in marketing and selling the new product. WHEY20 is the subject of new patent applications by SiS. SiS Immune tablets and SiS GO Electrolyte Gels ranges with caffeine were also launched and have exceeded initial targets.

Gross margin

The Company generated a gross margin of £7.38 million (2015: £5.52 million) with the gross margin achieving a percentage of revenue of 60.3% (2015: 58.4%). Investment in the gel and bar lines has resulted in margin improvements through the factory efficiencies.

Underlying operating loss

The underlying operating loss of £0.80 million (2015: £0.25 million) reflects the ongoing investment in sales and marketing to drive revenue growth, together with ex plan investment in the e-commerce teams to drive revenue growth in overseas markets and the UK market. 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 Directors believe that the operating loss before depreciation, amortisation, non-cash share based payments and exceptional items 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.

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") were 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 £1.57 million in the year ended 31 December 2016 (2015: £1.00 million).

Exceptional costs

The 2015 exceptional costs of £0.12 million reflect the costs incurred in terminating the distributorship of SiS APAC which the Company is now handling directly via the 100% owned Australian subsidiary.

Taxation

The current tax charge is £Nil (2015: £Nil) due to the loss made in the year. The deferred tax credit of £0.15 million (2015: £0.23 million) is primarily due to the recognition of a deferred tax asset in respect of taxable losses created in the year.

Strategic report

Losses and dividends

The loss attributable to equity holders of the parent for the year ended 31 December 2016 was £2.64 million (2015: £1.51 million) and the basic and diluted loss per share was 6.2p (2015: 5.5p). The Directors are unable to recommend the payment of a dividend (2015: £Nil).

Capital structure and funding

On 11 November 2015 the Company raised net proceeds of £8.2 million by the issue and allotment of 14,676,262 Ordinary Shares at a placing price of 59 pence per share. The placing was undertaken with new and existing institutional shareholders and was oversubscribed. The placing has enabled the Company to fund the working capital required to underpin further revenue growth and also to expand into the Australian and US markets.

The latest placing also introduced a number of new and significant institutional investors onto the shareholder register of the Company. The Directors believe establishing a broader institutional shareholder base is in the long term interests of the Company.

The loan agreement with HSBC Equipment Finance drawn down in September 2012 was secured against a number of assets acquired by the Company for use in the Nelson factory and was fully repaid during the year.

Going concern

The Company made a loss after tax for the year attributable to owners of the parent of £2.64 million (2015: £1.51 million) and expects to make a further loss in the year ending 31 December 2017.

The total cash outflow from operating activities in the year ended 31 December 2016 was £2.62 million (2015: £6.73 million inflow). At 31 December 2016 the Company had cash balances of £6.13 million (2015: £8.75 million). As noted above, the Company raised additional equity of £8.2 million (net of associated costs) on 11 November 2015.

The Directors have prepared projected cash flow information for a period including twelve months from the date of approval of these financial statements.

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.

Key performance indicators

The principal financial KPIs monitored by the Board relate to sales, gross margin, underlying operating profit/(loss) and cash and cash equivalents.

Gross margin in the year improved by 1.8 percentage point to 60.3% (2015: 58.4%). This reflected improvements in production processes around the manufacturing of gels and bars.

The table below shows the Company's underlying operating loss for the two years ended 31 December:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Underlying operating loss	(799)	(251)

Strategic report

The table below shows the Company's cash position at 31 December 2016 and 31 December 2015:

	31 December 2016 £000	31 December 2015 £000
Cash and cash equivalents	6,130	8,753

The monitoring of cash gives due consideration to anticipated future spend required to prioritise development opportunities and to plan the resources required to achieve the goals of the business. The £2.62 million net reduction in cash and cash equivalents during the financial period is primarily the result of investment in brand, new markets and infrastructure efficiencies, as well as servicing working capital requirements.

The Directors consider the successful launch of new products and increasing distribution both in the UK and internationally to be the major drivers of value creation for the Company. These are measures of the progress of the business towards its revenue generation goal and are considered by the Directors to be the key non-financial performance indicators used to determine achievement of Company strategy. The Company's performance with regard to such milestones is discussed in the Chairman's and Chief Executive's Joint review on pages 2 to 5.

Principal risks and uncertainties

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 bi-annual basis, reviews the industry, operational and financial risks facing the Company and considers the adequacy of the controls and mitigations to manage these risks.

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.

Food quality and safety

Accidental or malicious ingredient or raw material 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 products. The consequences could be severe and may include adverse effects on consumer health, loss of market share, financial costs and loss of turnover to SiS.

A product recall as a result of accidental or malicious ingredient or raw material contamination, or due to supply chain contamination caused by human error or equipment fault or due to manufacturing or design faults, a subsequent product re-launch may not successfully return the relevant brand to its previous market position. This could result in a loss of market share and loss of turnover to SiS.

The Group maintains product liability insurance cover to mitigate the potential impact of such an event.

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. Raw materials, the Nelson facility and finished products are analysed and tested regularly for banned substances by an experienced, independent surveillance company. During 2014 SiS (Science in Sport) Limited became the first company in the UK to achieve evolved certification from Informed Sport, the quality assurance programme for nutritional products used by athletes. This evolved certification is highly rigorous and it gives the reassurance that our products are produced in a way that minimises the risk of banned substance contamination. SiS (Science in Sport) Limited is currently the only company in the UK to have achieved this evolved certification from Informed Sport. At the beginning of 2017 we have further enhanced our banned substance testing regime to ensure we remain best in class.

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. Failure to manage the Company's exposure to price increase may adversely affect the Company's financial performance.

Strategic report

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.

In the year a single customer contributed to more than 10% of the revenue (2015: one customer). The risks associated with the reliance on one main customer are recognised by the Directors and SiS will continually look to drive sales from e-commerce both in the UK and internationally and expand the number of retail outlets where in line with strategy. Although no single retailer accounts for more than 15.3% 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. Significant resources are devoted to forging strong relationships with customers.

Trademarks

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

People

The Company recognises that its employees are critical to the successful delivery of service to customers. The failure to retain people of high quality would have an adverse effect on Company performance. The Company has high expectations of all staff and in return strives to provide an environment that is both challenging and rewarding. The business was recently awarded an accreditation from Investors In People.

Funding and other risks

The Company may require additional funding. To the extent that the current cash resources of the Company are insufficient to cover the Company's liabilities in the longer term it may be necessary to seek additional funds through future equity or debt financings and there is no certainty that such funds would be available. Any such further financings, if available at all, may be on terms that are not favourable to the Company. Further, if adequate capital cannot be obtained, the Company's operating results and financial condition could be adversely affected.

Future development

The future development of the Company is discussed in the Chairman's and Chief Executive's Joint review on pages 2 to 5.

Other statutory disclosures

Directors

At the end of the financial period Science in Sport plc had five Directors of whom four were male and one female.

Senior managers

At the end of the financial year the Group had seven senior managers of whom six were male and one female.

All employees

At the end of the financial year the Group employed 89 people of whom 59 were male and 30 were female.

The Company's employees

The Executive Directors keep staff informed of the progress and development of the Company regularly through formal and informal meetings and employee feedback is encouraged.

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 its employees to provide a safe and healthy working environment. The Company complies with health and safety legislation including conducting regular inspections and risk assessments.

Strategic report

Information this report does not contain

As a result of the size and nature of the Company's operations it was not deemed necessary to provide information about:

- Environmental matters and the impact of the company's business on the environment.
- Social, community and human rights issues.

This Strategic report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved and signed on behalf of the Board.

Stephen Moon

Director

22 March 2017

Directors' report

The Directors present their report together with the consolidated financial statements for the year ended 31 December 2016.

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 three wholly owned subsidiaries, SiS (Science in Sport) Limited, SiS APAC Pty Limited and Science in Sport Inc, which are registered in England and Wales, Australia and the United States of America respectively.

Future developments

The Joint review from the Chairman and Chief Executive on pages 2 to 5 and the Strategic report on pages 6 to 11 cover the Company's performance during the year ended 31 December 2016, 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 (appointed 17 July 2016)

Non-executive Directors

J M Clarke

C D Buck (resigned 26 June 2016)

R Duignan

T Wright (appointed 22 September 2016)

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 is set out in the Remuneration report on pages 17 to 19.

Dividends

No dividends were paid and none proposed (31 December 2015: £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.

Going concern

The Directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company's financial statements. Further detail with regards to the consideration of going concern can be found in the Strategic report on pages 6 to 11.

Employee Benefit Trust Shares

The Company issued 1,208,255 number of shares to the Employee Benefit Trust to satisfy the provision of the share scheme (see note 20).

Directors' report

Substantial shareholdings

As at 31 December 2016, the following shareholders own more than 3% of issued share capital of the Company:

	% at 31 December 2016	Number of shares
Downing LLP	15.95%	6,916,599
Hargreave Hale	7.99%	3,464,589
Amati Global Investors	6.91%	2,998,778
Otus Capital Management	6.01%	2,605,734
Miton Asset Management	5.48%	2,375,051
Employee Benefit Trust (EBT)	4.96%	2,152,892
DSM Venturing	3.31%	1,437,693
Islandbridge Capital	3.25%	1,411,000
Baillie Gifford	3.06%	1,326,383

Adequacy of information supplied to auditors

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.

Moore Stephens LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

Directors' responsibilities

The Directors are responsible for preparing the Directors' report, Strategic report, Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that 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 total comprehensive 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the

Directors' report

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

22 March 2017

Corporate Governance

Board of Directors

The Board comprises a Non-executive Chairman, two additional Non-executive Directors, all of whom 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.

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 sought to comply with a number of provisions of the UK Corporate Governance Code in so far as it considers them to be appropriate to the Company's size and nature. This is considered by the Board to be reasonable and does not compromise the overall corporate governance which the Board strongly supports.

Audit Committee

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.

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, the Annual Report, any audit issues arising, internal control processes and any other appropriate matters.

As well as providing audit related services the auditors have, in the past, provided taxation compliance, corporate finance services and share option scheme advice. The fees in respect of the non-audit services provided are £nil for the year (2015: £9,750) relating fully to EIS advanced assurance advice. The Audit Committee have considered the non-audit fees agreed with Moore Stephens LLP and are satisfied that that the objectivity and independence of the auditors is safeguarded.

The current terms of reference of the Audit Committee are set out in the governance pages on the Company's website www.scienceinsport.com.

Internal control

The Audit Committee continues to monitor and review the effectiveness of the system of internal control and report to the Board when appropriate with recommendations. There have been no significant changes to the system of internal control throughout the year.

The key control procedures operating within the Company include, but are not limited to:

1. a comprehensive system of financial budgeting, forecasting and then reporting and reviewing actual monthly results for the current year against these expectations;
2. a system of operational and financial Key Performance Indicators ("KPIs"), which are reviewed on a weekly and monthly basis;
3. procedures for appraisal, review and authorisation of capital expenditure;
4. properly authorised treasury procedures and banking arrangements;
5. regular review of materials and services supply agreements; and
6. regular review of tax, insurance and health and safety matters.

At this stage in the Company's development, the Board does not consider it appropriate to establish an internal audit function.

Nominations Committee

The Nominations Committee consists of the Chairman and the Non-executive Directors. It is chaired by John Clarke and meets as required, at least once during the year.

The current terms of reference of the Nominations Committee are set out in the governance pages on the Company's website www.scienceinsport.com.

Corporate Governance

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 sent to shareholders 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 10, report on the involvement of employees in the affairs, policy and performance of the company.

Environmental, social and community matters

As noted in the Strategic report on page 12 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.

Remuneration report

Remuneration Committee: composition and terms of reference

The Company's Remuneration Committee since the date of Admission to AIM comprises at least two independent Non-executive Directors and is chaired by 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 Company. 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 Company successfully but avoiding paying more than is necessary. Direct benchmarking of remuneration is not possible given the specialised nature and size of the Company. 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 Company. Earnings from such roles are not disclosed nor paid to the Company.

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.

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. The maximum amount that can be issued under the SOP is 20% of the Company's share capital immediately prior to the date on which the SOP was approved. Options must be exercised within a period of 10 years after the vesting date for that option otherwise the option will lapse.

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.

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 5 year LTIP, the 3 year revenue growth phase of this scheme vested in March 2016, and was then planned to be a profit plan for 2 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:

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

Remuneration report

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 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 STIP for the year ended 31 December 2015, 284,795 nil cost options were granted to senior employees on 22 March 2016 (2015: 99,031) and 350,908 nil cost options were granted to SN Moon on 22 March 2016 (2015: 267,206).
- In respect of the LTIP for the year ended 31 December 2015, 1,169,716 nil cost options were granted to senior employees on 22 March 2016 (2015: £nil) and 738,767 nil cost options were granted to SN Moon on 22 March 2016 (2015: £nil) and 221,360 nil cost options were granted to JM Clarke on 22 March 2016 (2015: £nil).

The following awards have been approved by the Remuneration Committee but had not yet been formally granted at the date of signing these accounts:

- In respect of the STIP for the year ended 31 December 2016, 1,021,101 nil cost options are expected to be granted to senior employees including Executive Directors.
- In respect of the LTIP Revenue incentive, 1,216,928 nil cost options are expected to be granted to senior employees including Executive and Non-Executive Directors.

These awards have been used to derive the share based payments charge for the year.

(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 twelve 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 2016					Total £'000	Year ended 31 December 2015 £'000
	Salary /fees £'000	LTIP £'000	STIP £'000	Benefits in kind £'000	Pension £'000		
Executive Directors							
S N Moon	200	402	352	2	-	956	768
E J Lake (appointed 17 July 2016)	61	66	33	1	2	163	-
Non Executive Directors							
JM Clarke	40	90	-	-	-	130	152
R Duignan	35	-	-	-	-	35	18
T Wright (appointed 22 September 2016)	9	-	-	-	-	9	-
	345	558	385	3	2	1,293	938

Prior year remuneration includes share awards of £572,079 for SN Moon and £116,356 for JM Clarke. The above fees and emoluments exclude reimbursed expenditure incurred in the conduct of Company business.

Remuneration report

Directors' interests in shares

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

Beneficial interests	Ordinary shares of 10 pence each 31 December 2016	Ordinary shares of 10 pence each 31 December 2015
S N Moon	736,313	675,330
E J Lake (appointed 17 July 2016)	-	-
C D Buck (resigned 23 June 2016)	-	593,577
J M Clarke	178,500	178,500
R Duignan	-	-
T Wright (appointed 22 September 2016)	-	-
	914,813	1,447,407

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 2016	31 December 2015
S N Moon	1,685,006	595,331

Details of share options at 31 December 2016 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
S N Moon	22 July 2014	0p	72.0p	328,125	22 July 2014	21 July 2024
S N Moon	26 March 2015	0p	68.0p	267,206	26 March 2015	25 March 2025
S N Moon	22 March 2016	0p	53p	1,089,675	22 March 2016	21 March 2026

Other than as shown in the tables above no Director had any interest in the shares or share options of the Company or its subsidiary company at 31 December 2016 or 31 December 2015.

John Clarke

Chairman of the Remuneration Committee
22 March 2017

Independent auditor's report to the members of Science in Sport plc continued

We have audited the financial statements of Science in Sport plc for the year ended 31 December 2016 which are set out on pages 22 to 50. The financial reporting framework that has been applied in their preparation 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.

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 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.

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 group financial statements are prepared is consistent with the group financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent auditor's report to the members of Science in Sport plc continued

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Neil Tustian, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, Statutory Auditor
58 Queens Road
Reading
Berkshire
RG1 4RP
22 March 2017

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Revenue	3	12,243	9,446
Cost of goods		(4,865)	(3,927)
Gross profit		7,378	5,519
Underlying operating loss		(799)	(251)
Depreciation and amortisation		(419)	(362)
Share based payments charge	4	(1,572)	(995)
Exceptional costs	5	-	(125)
Loss from operations	4,5	(2,790)	(1,733)
Finance income		1	2
Finance costs		(4)	(5)
Loss before taxation		(2,793)	(1,736)
Taxation	9	149	227
Loss for the year		(2,644)	(1,509)
Other comprehensive income			
Those that are recyclable		-	-
Exchange differences on translation of foreign operations		(50)	-
Total comprehensive expense for the year		(2,694)	(1,509)
Attributable to:			
Owners of the parent		(2,644)	(1,509)
Loss per share to owners of the parent			
Basic and diluted - pence	10	(6.2p)	(5.5p)

All amounts relate to continuing operations.

The notes on pages 26 to 45 form part of these consolidated financial statements.

Consolidated statement of financial position

<i>Company number 08535116</i>		As at 31 December 2016 £000	As at 31 December 2015 £000
	Notes		
Assets			
Non-current assets			
Intangible assets	11	884	486
Property, plant and equipment	12	798	657
Deferred tax	18	1,086	937
Total non-current assets		2,768	2,080
Current assets			
Inventories	13	2,238	1,471
Trade and other receivables	14	2,217	1,249
Cash and cash equivalents	15	6,130	8,753
Total current assets		10,585	11,473
Total assets		13,353	13,553
Liabilities			
Current liabilities			
Trade and other payables	16	(2,534)	(1,488)
Borrowings	17	-	(49)
Total current liabilities		(2,534)	(1,537)
Net current assets/(liabilities)		8,051	9,936
Non-current liabilities			
Borrowings	17	-	-
Total non-current liabilities		-	-
Total liabilities		(2,534)	(1,537)
Total net assets		10,819	12,016
Capital and reserves attributable to owners of the parent company			
Share capital	19	4,322	4,025
Share premium reserve	21	10,331	10,228
Employee benefit trust reserve	21	(215)	(61)
Other reserve	21	(907)	(907)
Foreign exchange reserve	21	(50)	-
Retained deficit	21	(2,662)	(1,269)
Total equity		10,819	12,016

These consolidated financial statements were approved and authorised for issue by the Board on 22 March 2017 and signed on its behalf by:

Stephen Moon
Director

The notes on pages 26 to 45 form part of these consolidated financial statements.

Consolidated statement of cash flows

		Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
	Notes		
Cash flows from operating activities			
Total comprehensive loss for the year		(2,644)	(1,509)
Adjustments for:			
Amortisation	11	160	87
Depreciation	12	261	277
Profit on sale of fixed assets	5	-	(2)
Net finance cost		3	3
Taxation	9	(149)	(227)
Share based payment charge		1,572	995
Operating cash outflow before changes in working capital		(797)	(376)
Changes in inventories		(767)	(36)
Changes in trade and other receivables		(968)	(207)
Changes in trade and other payables		921	(240)
Total cash outflow from operations		(1,611)	(859)
Cash flow from investing activities			
Purchase of property, plant and equipment	12	(402)	(205)
Proceeds from sale of property, plant and equipment		-	2
Purchase of intangible assets	11	(558)	(320)
Interest received		1	2
Net cash outflow from investing activities		(959)	(521)
Cash flow from financing activities			
Proceeds from issue of share capital		-	8,659
Expenses paid on share issues		-	(482)
Repayment of borrowings		(49)	(65)
Interest paid		(4)	(5)
Net cash (outflow) / inflow from financing activities		(53)	8,107
Net (decrease) / increase in cash and cash equivalents		(2,623)	6,727
Opening cash and cash equivalents	15	8,753	2,026
Closing cash and cash equivalents	15	6,130	8,753

The notes on pages 26 to 45 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 2014	2,519	3,519	(33)	(907)	-	(702)	4,396
Issue of shares to EBT on 16 June 2015	38	-	(38)	-	-	-	-
Issue of shares – placing 11 November 2015	1,468	7,191	-	-	-	-	8,659
Transaction costs of placing	-	(482)	-	-	-	-	(482)
Exercise of share options	-	-	10	-	-	(10)	-
Share based payments	-	-	-	-	-	952	952
Total comprehensive expense for the year	-	-	-	-	-	(1,509)	(1,509)
At 31 December 2015	4,025	10,228	(61)	(907)	-	(1,269)	12,016
	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 2015	4,025	10,228	(61)	(907)	-	(1,269)	12,016
Issue of shares – consideration relating to sponsorship services 4 January 2016	22	103	-	-	-	-	125
Issue of shares to EBT on 23 March 2016	275	-	(275)	-	-	-	-
Exercise of share options	-	-	121	-	-	(121)	-
Share based payments	-	-	-	-	-	1,372	1,372
Total comprehensive expense for the period	-	-	-	-	(50)	(2,644)	(2,694)
At 31 December 2016	4,322	10,331	(215)	(907)	(50)	(2,662)	10,819

The notes on pages 26 to 45 form part of these consolidated financial statements.

Parent company statement of financial position

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 4th Floor, 16 - 18 Hatton Gardens, Farringdon, London EC1N 8AT. The functional and presentational currency is pounds sterling and the financial statements are rounded to the nearest £1,000.

The main activities of the Company 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 46 to 50.

The financial statements are prepared for the year ended 31 December 2016.

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 2016.

The Group has adopted the new interpretations and revised standards effective for the year ended 31st December 2016. The adoption of these interpretations and revised standards do not have an impact on the disclosures and presentation of the financial statements.

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31st December 2016. The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

The following significant new standards, amendments to standards and interpretations have been issued but are not effective for the period ended 31 December 2016:

IAS 7 Statement of Cash Flows

The standard has been amended to disclose the changes arising from financing activities. Changes in assets and liabilities arising from financing activities will need to be analysed between changes from financing cash flows, changes due to obtaining or losing control of a subsidiary, the effect of changes in foreign exchange rates, fair value changes and other changes.

The amendment to the standard will result in the Group’s financial statements including an additional disclosure of changes arising from financing activities.

The standard is effective for periods beginning on or after 1 January 2017 but is yet to be endorsed by the EU.

IFRS 9 Financial Instruments

The standard makes substantial changes to the recognition and measurement of financial assets and financial liabilities. There will only be three categories of financial assets whereby financial assets are recognised at

Notes to the consolidated financial statements

1. Accounting policies (*continued*)

either fair value through profit and loss, fair value through other comprehensive income or measured at amortised cost. On adoption of the standard, the Group will have to re-determine the classification of its financial assets. This is not considered likely to give rise to any significant adjustments other than the re-categorization.

The standard is effective for periods beginning on or after 1 January 2018.

IFRS 15 – Revenue from contracts with customers

The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around five steps in recognising revenue:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price
- Recognise revenue when a performance obligation is satisfied

On application of the standard the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information.

The Group has not as yet evaluated the full extent of the impact that the standard will have on its financial statements, however the effect is not considered likely to be material. The standard is effective for periods beginning on or after 1 January 2018.

IFRS 16 – Leases

The standard makes substantial changes to the recognition and measurement of leases by lessees. On adoption of the standard, lessees, with certain exceptions for short term or low value leases, will be required to recognise all leased assets on their balance sheet as 'right-of-use assets' with a corresponding lease liability. The requirements for lessors are substantially unchanged.

On application of the standard the disclosures are likely to increase for both lessors and lessees. The standard includes principles on disclosing the nature, amount, timing and variability of lease payments and cash flows, by providing qualitative and quantitative information.

The Group has not as yet evaluated the full extent of the impact that the standard will have on its financial statements, nor the transitional provisions which may be utilised. The standard is effective for periods beginning on or after 1 January 2019 but is yet to be endorsed by the EU.

Going concern

The Directors are of the opinion that as at 22 March 2017, the Company and the Company's liquidity and capital resources are adequate to deliver the current strategic objectives having considered projected cash flow information for a period including twelve months from the date of approval of these financial statements and that the Companies, SiS (Science in Sport) Limited, SiS (APAC) Pty Limited and Science in Sport Inc remain a going concern.

Basis of consolidation

The consolidated financial information presents the results of the Company and its subsidiaries, SiS (Science in Sport) Limited, SiS (APAC) Pty Limited, and Science in Sport Inc as if they formed a single entity ("the Company"). All group companies share the same reporting date, 31 December 2016. All intra company balances are eliminated in preparing the financial statements.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are

Notes to the consolidated financial statements

1. Accounting policies (*continued*)

fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Revenue

Revenue comprises sale of goods to external customers at the fair value of consideration received or receivable and is shown net of value added tax or local taxes on sales.

Revenue from sales to external customers is recognised when the significant risks and rewards of ownership have been transferred to the buyer in accordance with the customer terms. This is when goods are dispatched to export customers and when the goods are delivered for other UK customers. 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. The provision is made at the time of sale and released, if unutilised, after assessment that the likelihood of such a claim being made has become remote.

Segment reporting

The Directors have determined that only one operating segment exists under the terms of International Financial Reporting Standard 8 'Operating Segments', as the Company is organised and operates as a single business unit.

Use of non-GAAP profit measure – underlying operating loss

The Directors believe that the operating loss before depreciation, amortisation and impairment of intangibles, share based payments and exceptional items 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 Statement of Comprehensive Income.

Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented in aggregate, separately in the Statement of Comprehensive Income to give a full understanding of the Company's underlying financial performance. Transactions which may give rise to exceptional items include the restructuring of business activities and acquisitions.

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 the statement of comprehensive income.

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

Employee benefits

(i) Defined contribution plans

The Company provides retirement benefits to a number of employees and Executive Directors. The assets of these schemes are held separately from those of the Company in independently administered funds. Contributions made by the Company are charged to the statement of comprehensive income 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 company 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

Notes to the consolidated financial statements

1. Accounting policies (*continued*)

charged to the Statement of Comprehensive Income on a straight line basis over the lease term. The company 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 are written off as incurred unless the criteria are met to recognise an intangible asset in accordance with IFRS 38 'Intangible assets'.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Company 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 Company.

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.

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.

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 the Statement of Comprehensive Income 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:

Leasehold improvements	- Over the length of the lease
Plant and machinery	- 4 - 10 years
Fixtures and fittings	- 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 Company policy for impairment of assets.

Notes to the consolidated financial statements

1. Accounting policies (*continued*)

Intangible assets

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 as follows:

Website design costs	- 5 years
Computer software	- 5 years
Research and development costs	- 5 years

Impairment of assets

Assets that have a finite useful life but that are not yet in use and are therefore not subject to amortisation or depreciation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment annually and when events or circumstances suggest that the carrying amount may not be recoverable an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of fair value, less disposal costs, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount that would have been determined is capped at the original carrying value prior to the impairment. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

The gain or loss on the disposal of an asset is accounted for in the Statement of Comprehensive Income of the period in which the disposal occurs as the difference between the net sale proceeds and the carrying amount.

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 the income statement for slow moving inventories. The charge is reviewed at each reporting date.

Financial instruments

Financial assets

The Company's financial assets are comprised of 'trade and other receivables' and 'cash and cash equivalents'. They are recognised, when the Company becomes a party to the contractual provisions of the instrument, initially at their fair value and subsequently at amortised cost when the Company becomes a party to the contractual provisions of the instrument. The Company will assess at each reporting date whether there is objective evidence that the financial asset is impaired. If an asset is judged to be impaired the carrying amount of the asset will be adjusted to its impaired valuation.

Financial liabilities

The Company's financial liabilities comprise 'trade and other payables' and 'borrowings'. These are recognised initially at fair value and subsequently at amortised cost.

Cash and cash equivalents

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

Notes to the consolidated financial statements

1. Accounting policies (*continued*)

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.

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 and judgement:

(i) Valuation of inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials, labour and, where appropriate, overheads that have been incurred in bringing the inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(ii) 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.

(iii) Intangible assets

Earlier notes describe the accounting policy for the recognition of research and development expenditure. The Company has determined the amounts of development expenditure to be recognised as intangible assets at each reporting date. In making their judgement, the directors have considered the progress of each project and whether there is sufficient certainty that the product under development will be economically viable and that economic benefits will flow to the Company.

(iv) Useful economic lives and residual values of intangible assets and property, plant and equipment

In relation to finite life intangible assets and property, plant and equipment, useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to potential impairment of the carrying value of such assets.

(v) Recognition 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 are able to be generated in the foreseeable future.

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 the income statement 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.

Notes to the consolidated financial statements

1. Accounting policies (*continued*)

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 Company 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.

2. Financial risk management

2.1 Financial risk factors

The Company'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 Company policy not to enter into speculative positions using complex financial instruments. The Company's primary treasury objective is to minimise exposure to potential capital losses whilst at the same time securing favourable market rates of interest on Company cash deposits using money market deposits with banks.

(a) Market risk

Foreign exchange risk

The Company primarily enters into contracts which are to be settled in UK pounds. However, some contracts involve other major world currencies including the US Dollar and the Euro. 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 the Company incurred minimal expenditure in foreign currencies during the year, and the prior year, and consequently there is currently no material exposure to foreign currency rate risk, although this may change in the future as export markets are developed.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from medium term and short term money market deposits. Deposits which earn variable rates of interest expose the Company to cash flow interest rate risk. Deposits at fixed rates expose the Company to fair value interest rate risk. The Company had no fixed rate deposits during the year. The Company analyses its interest rate exposure on a dynamic basis throughout the year.

Due to the low level of the Company's borrowings no interest rate swaps or other forms of interest risk management have been undertaken. There is no cash flow risk associated with these borrowings which are at fixed interest rates and an agreed payment schedule.

(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. Company 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 Company 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 Company's maximum exposure to credit risk.

The top 10 customers account for 50.2% (2015: 53.4%) of the Company's revenue and hence there is some risk from the concentration of customers, however the largest single customer is only 15.3% (2015:13.2%) of revenue and is a major international business. As at 31 December 2016, the provision for doubtful debts totalled £43,000 (2015: £37,000). The Board believes no further provision is required for doubtful debts.

Notes to the consolidated financial statements

2. Financial risk management (*continued*)

2.1 Financial risk factors

(c) Liquidity risk

Liquidity risk arises from the Company's management of working capital; it is the risk that the Company 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 Company's liquidity on the basis of expected cash flow.

The Company had trade and other payables at the reporting date of £2.53 million (2015: £1.49 million) as disclosed in note 16.

2.2 Capital risk management

The Company 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 Company remains funded primarily by equity capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for equity holders of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company also had an asset loan agreement secured over plant and equipment for a four year term which expired in September 2016 at a fixed interest rate of 3.96%.

3. Segmental reporting

The Directors have determined that only one operating segment exists under the terms of IFRS 8 Operating Segments, as the Group is organised and operates as a single business unit.

Revenue from one customer of £1,867,000 individually exceeds 10% of Group revenue (2015: one, £1,244,000). All non-current assets, except for an immaterial amount of fixed assets, are located in the UK.

Turnover by geographic destination may be analysed as follows:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
United Kingdom	9,370	7,656
EU excluding the UK	1,930	1,472
Australia	530	84
Rest of the World	413	234
	12,243	9,446

Notes to the consolidated financial statements

4. Operating expenses

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Sales and marketing costs	5,931	3,685
Operating costs	2,246	2,085
Depreciation and amortisation	419	362
Share based payment charge ⁽¹⁾	1,572	995
Exceptional costs	-	125
Administrative expenses	4,237	3,567
Total operating expenses	10,168	7,252

(1) Includes associated social security costs of £75,000 (31 December 2015: £43,000) and consideration in respect of sponsorship services of £125,000 (31 December 2015: £nil).

5. Loss from operations

Loss from operations is stated after charging/(crediting):	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Depreciation of property, plant and equipment	261	277
Amortisation of intangible assets	160	87
Research and development costs	337	223
Foreign exchange gains / (losses)	69	(6)
Profit on disposal of property, plant and equipment	-	(2)
Operating lease costs	177	196
Exceptional operating costs	-	125

In the year ended 31 December 2015 exceptional costs comprised the costs incurred in terminating the distributorship of SiS APAC.

6. Auditors' remuneration

The total fees for services provided by the Company's auditor are analysed below:	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Audit services		
Parent company	16	15
Subsidiary	24	22
Tax services - compliance		
Subsidiary	6	6
Other services		
Review of interim statement	-	-
Other	4	10
Total fees	50	53

Notes to the consolidated financial statements

7. Wages and salaries

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

	Year ended 31 December 2016 Number	Year ended 31 December 2015 Number
Sales and marketing	28	19
Manufacturing	47	39
Administration	6	5
Directors	4	5
	85	68

Their aggregate emoluments were:

	£000	£000
Wages and salaries	2,865	2,111
Directors' fees	84	54
Social security costs	300	240
Pension and other staff costs	147	133
Total cash settled emoluments	3,396	2,538
Share based payments - equity settled	1,372	952
Share based payments - social security costs	75	43
Total emoluments	4,843	3,533

8. Directors' and Key Management Personnel remuneration

Amounts paid to the Directors of the parent company.

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Directors		
Aggregate emoluments and fees	345	324
Benefits in kind	3	2
Company pension contributions	2	32
Total emoluments	350	358
Share based payment remuneration charge: equity settled	943	507
Social security costs	34	35
Total Directors' emoluments	1,327	865

Directors fees of £9,000 (2015: £nil) 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 2015: one).

The number of directors who participated in the long term incentive program was 3 (2015: 2).

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 Company, which is also the tax value of those benefits. Further details of Directors' emoluments are included in the Remuneration Report on pages 17 to 19.

Notes to the consolidated financial statements

8. Directors' and Key Management Personnel remuneration (*continued*)

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 2016 £000	Year ended 31 December 2015 £000
Remuneration and short term benefits	824	795
Post employment benefits	27	25
Share based payments	1,372	952
	2,223	1,772

9. Taxation

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Current tax income		
United Kingdom corporation tax	-	-
Adjustment in respect of prior period	-	-
Total current tax income	-	-
Deferred tax		
Effect of change in tax rates	-	-
Origination and reversal of temporary differences	149	227
Tax on loss for the period	149	227

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

Loss before tax	2,793	1,736
Loss before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20%)	559	347
Effects of:		
Expenses not deductible for tax purposes	(183)	(4)
Additional deduction for R&D expenditure	(36)	55
Share scheme deduction	(16)	(22)
Effect of changes in tax rate	(3)	(114)
R&D tax credit for prior periods	(172)	(35)
Total tax credit for the period	149	227

At 31 December 2016 UK tax losses of the Company available to be carried forward are estimated to be £4,011,000 (31 December 2015: £3,951,000).

Deferred tax balances are valued at the rate of 18% in these accounts to the extent that timing differences are expected to reverse after this later date.

Notes to the consolidated financial statements

10. Loss per share

Basic and diluted loss per share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

	Year ended 31 December 2016	Year ended 31 December 2015
Loss for the year attributable to owners of the parent - £000	(2,644)	(1,509)
Weighted average number of shares	42,527,844	27,403,716
Basic and diluted loss per share – pence	(6.2p)	(5.5p)

The number of vested but unexercised share options is 2,152,892.

11. Intangible assets

	Software £000	Website development costs £000	Research & Development Costs £000	Total £000
Cost				
At 31 December 2014	41	324	-	365
Additions	101	102	117	320
At 31 December 2015	142	426	117	685
Additions	342	148	68	558
At 31 December 2016	484	574	185	1,243
Amortisation				
At 31 December 2014	16	96	-	112
Charge for year	12	75	-	87
At 31 December 2015	28	171	-	199
Charge for year	20	116	24	160
At 31 December 2016	48	287	24	359
Net book value				
At 31 December 2016	436	287	161	884
At 31 December 2015	114	255	117	486

At 31 December 2016, the Company had capital commitments of £Nil (31 December 2015: £70,000) relating to website development costs.

Notes to the consolidated financial statements

12. Property, plant and equipment

	Leasehold improvements £000	Plant and machinery £000	Fixtures, fittings and computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 31 December 2014	347	830	516	21	1,714
Additions	57	64	84		205
Disposals	-	-	-	(21)	(21)
At 31 December 2015	404	894	600	-	1,898
Additions	53	251	98		402
At 31 December 2016	457	1,145	698		2,300
Depreciation					
At 31 December 2014	163	487	314	21	985
Charge for the year	74	79	124	-	277
Disposals	-	-	-	(21)	(21)
At 31 December 2015	237	566	438	-	1,241
Charge for the year	73	88	100	-	261
At 31 December 2016	310	654	538	-	1,502
Net book value					
At 31 December 2016	147	491	160		798
At 31 December 2015	167	328	162		657

The carrying amount of fixtures, fittings, plant and equipment includes an amount of £nil (31 December 2015: £146,000) in respect of assets provided as security under a loan agreement.

13. Inventories

	31 December 2016 £000	31 December 2015 £000
Raw materials	824	706
Finished goods	1,414	765
	2,238	1,471

There is a provision of £23,000 included within inventories in relation to the impairment of inventories (31 December 2015: £24,000).

During the period inventories of £3,651,000 (year ended 31 December 2015: £2,935,000) were recognised as an expense within cost of sales.

Notes to the consolidated financial statements

14. Trade and other receivables

	31 December 2016 £000	31 December 2015 £000
Trade receivables	1,678	989
Less: provision for impairment of trade receivables	(42)	(37)
Trade receivables – net	1,636	952
Other receivables	334	66
Total financial assets other than cash and cash equivalents classified as loans and receivables	1,970	1,018
Prepayments and accrued income	247	231
Total trade and other receivables	2,217	1,249

Trade receivables represent debts due for the sale of goods to customers. The provision for impairment of receivables is estimated by the Company's management based on prior experience.

Trade receivables are denominated in local currency of the operating entity and converted to sterling at the ruling exchange rate as at 31 December 2016. The Directors consider that the carrying amount of these receivables approximates to their fair value. Trade and other receivables are categorised as loans and receivables under IAS 39. All amounts shown under receivables fall due for payment within one year. The Group does not hold any collateral as security.

As at 31 December 2016 trade receivables of £618,000 (31 December 2015: £220,000) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these receivables is as follows:

	31 December 2016 £000	31 December 2015 £000
Less than 30 days overdue	389	122
Between 31 and 90 days overdue	229	98
	618	220

As at 31 December 2016 trade receivables of £42,000 (31 December 2015: £37,000) were past due and impaired. Movements on the Company provision for impairment of trade receivables are as follows:

	31 December 2016 £000	31 December 2015 £000
At beginning of year	37	37
Provided during year	5	-
Unused amounts reversed	-	-
	42	37

Any movement on the provision for impaired receivables is included in administrative expenses in the consolidated statement of comprehensive income. Other classes of financial assets included within trade and other receivables do not contain impaired assets.

15. Cash and cash equivalents

	31 December 2016 £000	31 December 2015 £000
Cash at bank and in hand	6,130	8,753

Notes to the consolidated financial statements

16. Trade and other payables

	31 December 2016 £000	31 December 2015 £000
Trade payables	1,130	756
Accruals	1,324	665
Total financial liabilities measured at amortised cost	2,454	1,421
Other taxes and social security	80	67
Total trade and other payables	2,534	1,488

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

All amounts shown fall due within one year.

17. Borrowings

	31 December 2016 £000	31 December 2015 £000
Secured borrowings at amortised cost		
Asset loan agreement at fixed rate	-	49
Amounts due for settlement within 12 months	-	49
Amounts due for settlement after 12 months	-	-
	-	49

The asset loan agreement was provided in September 2012 by HSBC Asset Finance (UK) Limited and secured over plant and equipment at a fixed interest rate of 3.96%. The asset loan expired in September 2016.

18. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 18% (twelve-month period ended 31 December 2015: 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:

	At 31 December 2015 £000	Credited/ (charged) to income statement in the year £000	At 31 December 2016 £000
Capital allowances in excess of depreciation	(103)	-	(103)
Unutilised tax losses	711	11	722
Other short term timing differences	329	138	467
	937	149	1,086

A deferred tax asset of £1,086,000 (31 December 2015: £937,000) has been recognised in respect of tax losses and other temporary differences where the Directors believe it is probable that these assets will be recovered. 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.

Notes to the consolidated financial statements

19. Share capital

	Ordinary 10p shares number	Ordinary 10p shares £000
Authorised share capital	221,000,000	22,100
<hr/>		
	Ordinary 10p shares number	Ordinary 10p shares £000
Allotted, called up and fully paid		
<hr/>		
At 31 December 2015	40,244,807	4,025
Sponsorship consideration 8 January 2016	222,420	22
Treasury shares issued 31 March 2016	2,748,964	275
At 31 December 2016	43,216,191	4,322

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

On 8 January the Company issued 222,420 new ordinary shares of 10 pence each as consideration for sponsorship related services. The fair value of these shares at the date of issue was £125,000, this represented the market price for the sponsorship services provided.

On 31 March 2016 the Company issued 2,748,964 new ordinary shares of 10 pence each to the Employee Benefit Trust to satisfy share options granted in 2015 (2014: 559,866 new ordinary shares of 10 pence each). At 31 December 2016 the Employee Benefit Trust held in reserve 2,152,892 new ordinary shares of 10 pence each to be issued as share options (2015: 595,331 new ordinary shares of 10 pence each).

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 2016 2,152,892 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 vesting.

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 £1,372,000 all of which related to equity settled share-based payment transactions (period ended 31 December 2015: £952,000). Total social security costs of £75,000 (period ended 31 December 2015: £43,000) have also been recognised and included in the share based payment charge of £1,572,000 (period ended 31 December 2015: £995,000) disclosed on the face of the consolidated statement of comprehensive income. There were two components included in the charge for the grants in the year;

Notes to the consolidated financial statements

20. Share options (*continued*)

(i) Options granted during the period

During the year ended 31 December 2016 options were granted under the short term incentive plan with regard to performance in the year ended 31 December 2015. 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
19 May 2016	0p	2,765,816	52.5p

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 2015	-	-	328,125
Granted during period	0p	-	383,087
Exercised	0p	64p	(99,031)
Forfeited during period	0p	-	(16,850)
Outstanding at 31 December 2015	0p		595,331
Granted during year	0p	-	2,765,816
Exercised	0p	53p	(1,208,255)
Forfeited during year	0p	-	-
Outstanding at 31 December 2016	0p		2,152,892

All 2,765,816 share options granted in the year related to the approved, but not granted at 31 December 2015, STIP and, as such, were recognised in the share based payment charge in the year to 31 December 2015 (£1,440,000 and associated social security costs of £46,000).

All 2,152,892 share options outstanding at the end of the year have vested and were exercisable. 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 2016 was 8.9 years (31 December 2015: 8.9 years).

Notes to the consolidated financial statements

20. Share options (continued)

(ii) Options approved but not granted during the period

In addition to the options granted during the year, further options were approved, but not formally granted, during the period. These include short term options covering performance for the year to 31 December 2016 and long term options covering the thirty six month period to 31 December 2018 relating to the revenue growth based SOP. As employees have provided services in advance of the grant of these options, in accordance with IFRS 2 a charge has been recognised using an estimated fair value based on the period end share price.

The total charge during the period in respect of these approved but not yet granted options was £1,360,000 (2015: £1,020,000). Associated social security costs of £75,000 (2015: £46,000) were charged.

21. Reserves

Share premium account represents the amount subscribed for share capital in excess of nominal value less costs directly attributable to the issue of shares.

The Employee Benefit Trust reserve represents shares in the Company held by the Employee Benefit Trust which will be used to settle options held by employees under the SOP.

The 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 are cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

The foreign exchange reserve arises on the translation of foreign subsidiaries into sterling at the year-end date. For the year ending 31 December 2016 £50,000 (2015: £nil) was charged 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 2016 amounted to £147,000 (period ended 31 December 2015: £133,000). Pension contributions payable but not yet paid at 31 December 2016 totalled £14,000 (31 December 2015: £12,000).

23. Operating lease commitments

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

	31 December	31 December
	2016	2015
	£000	£000
Expiring:		
Due within 1 year	177	189
Due between 2 years and 5 years	72	242
	249	431

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.

Notes to the consolidated financial statements

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

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

	Year ended 31 December 2016					Total £'000	Year ended 31 December 2015 £'000
	Salary /fees £'000	LTIP £'000	STIP £'000	Benefits in kind £'000	Pension £'000		
Executive Directors							
S N Moon	200	402	352	2	-	956	768
E J Lake (appointed 17 July 2016)	61	66	33	1	2	163	-
Non Executive Directors							
JM Clarke	40	90	-	-	-	130	152
R Duignan	35	-	-	-	-	35	18
T Wright (appointed 22 September 2016)	9	-	-	-	-	9	-
	345	558	385	3	2	1,293	938

Prior year remuneration includes share awards of £572,079 for SN Moon and £116,356 for JM Clarke. 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:

Beneficial interests	Ordinary shares of 10 pence each 31 December 2016	Ordinary shares of 10 pence each 31 December 2015
S N Moon	736,313	675,330
E J Lake (appointed 17 July 2016)	-	-
C D Buck (resigned 23 June 2016)	-	593,577
J M Clarke	178,500	178,500
R Duignan	-	-
T Wright (appointed 22 September 2016)	-	-
	914,813	1,447,407

Notes to the consolidated financial statements

24. Related party transactions (*continued*)

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 2016	31 December 2015
S N Moon	1,685,006	595,331

Details of share options at 31 December 2016 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
S N Moon	22 July 2014	0p	72.0p	328,125	22 July 2014	21 July 2024
S N Moon	26 March 2015	0p	68.0p	267,206	26 March 2015	25 March 2025
S N Moon	22 March 2016	0p	53p	1,089,675	22 March 2016	21 March 2026

Other than as shown in the tables above no Director had any interest in the shares or share options of the Company or its subsidiary company at 31 December 2016 or 31 December 2015.

25. Financial Instruments

	31 December 2016	31 December 2015
	£000	£000
Financial assets measured at amortised cost	7,766	9,771
Financial liabilities measured at amortised cost	1,130	805

Financial assets comprise cash and cash equivalents and trade receivables.

Financial liabilities comprise borrowings and trade payables.

Parent company statement of financial position

<i>Company number 08535116</i>		As at 31 December 2016	As at 31 December 2015
	Notes	£000	£000
Assets			
Non-current assets			
Investments	3	9,081	3,589
Other receivables	4	8,417	
Total non-current assets		17,498	3,589
Current assets			
Other receivables	4	-	4,329
Cash and cash equivalents		-	8,177
Total current assets		-	12,506
Total assets		17,498	16,095
Liabilities			
Total liabilities		-	-
Total net assets		17,498	16,095
Capital and reserves attributable to owners of the parent company			
Share capital	5	4,322	4,025
Share premium reserve		10,331	10,228
Share options reserve		3,442	2,070
Employee benefit trust reserve		(215)	
Retained deficit		(382)	(228)
Total equity		17,498	16,095

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 £Nil (period ended 31 December 2015: £Nil).

These financial statements were approved and authorised for issue by the Board on 22 March 2017 and signed on its behalf by:

Stephen Moon
Director

The notes on pages 49 to 50 form part of these parent company financial statements.

Parent company statement of cash flows

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Cash flows from operating activities		
Loss after tax	-	-
Operating cash outflow before changes in working capital	-	-
Changes in other receivables and investments	(8,452)	(38)
Total cash outflow from operations	(8,452)	(38)
Cash flow from financing activities		
Proceeds from issue of share capital	-	8,659
Expenses paid on share issues	-	(482)
Proceeds from issue of share capital to employee benefit trust	275	38
Net cash inflow from financing activities	275	8,215
Net (decrease)/increase in cash and cash equivalents	(8,177)	8,177
Opening cash and cash equivalents	8,177	-
Closing cash and cash equivalents	-	8,177

The notes on pages 49 to 50 form part of these parent company financial statements.

Parent company statement of changes in equity

	Share capital £000	Share premium £000	Share options £000	Employee benefit trust reserve £000	Retained deficit £000	Total equity £000
At 31 December 2014	2,519	3,519	1,118	-	(228)	6,928
Issue of shares to EBT on 16 June 2015	38	-	-	-	-	38
Issue of shares – placing 11 November 2015	1,468	7,191	-	-	-	8,659
Transaction costs placing	-	(482)	-	-	-	(482)
Share based payment	-	-	952	-	-	952
At 31 December 2015	4,025	10,228	2,070	-	(228)	16,095
	Share capital £000	Share premium £000	Share options £000	Employee benefit trust reserve £000	Retained deficit £000	Total equity £000
At 31 December 2015	4,025	10,228	2,070	-	(228)	16,095
Issue of shares – consideration relating to sponsorship services 4 January 2016	22	103	-	-	-	125
Issue of shares to EBT on 23 March 2016	275	-	-	(275)	-	-
Exercise of share options	-	-	-	60	(154)	(94)
Share based payment	-	-	1,372	-	-	1,372
At 31 December 2016	4,322	10,331	3,442	(215)	(382)	17,498

The notes on pages 49 to 50 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 these are set out on pages 46 to 50. 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 s615 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 £Nil (period ended 31 December 2015: £Nil).

All salary costs of employees of the Company are borne by SiS (Science in Sport) Limited, and are disclosed in note 7 of the consolidated financial statements.

3. Investments

	£000
At 31 December 2015	3,589
Capital contribution	5,492
At 31 December 2016	9,081

At 31 December 2016 the Company owned the following material subsidiary undertakings:

	Share of issued ordinary share capital, and voting rights	Registered office	Business activity
SiS (Science in Sport) Limited	100%	4 th Floor 16-18 Hatton Garden Farringdon London EC1N 8AT United Kingdom	Sports Nutrition
SiS (APAC) Pty Limited	100%	1/27 Belgrave Street Manly NSW 2095 Australia	Sports Nutrition
Science in Sport Inc	100%	C/o USA Corporate Services Inc. 3500 S Dupont Hwy Dover DE 19901 USA	Sports Nutrition

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.

Notes to the parent company financial statements

4. Other receivables

	31 December 2016 £000	31 December 2015 £000
Amounts falling due within one year		
Amounts owed by SiS (Science in Sport) Limited	-	4,235
Loan to Employee Benefit Trust	-	94
At 31 December 2016	-	4,329
Amounts falling due after one year		
Amounts owed by SiS (Science in Sport) Limited	8,417	-
At 31 December 2016	8,417	-

5. Share capital

Allotted, called up and fully paid	Ordinary 10p shares number	Ordinary 10p shares £000
At 31 December 2015	40,244,807	4,025
Sponsorship consideration 8 January 2016	222,420	22
Treasury shares issued 31 March 2016	2,748,964	275
At 31 December 2016	43,216,191	4,322

Details on the share option scheme and share based payment charge for the year are given in note 20 to the consolidated financial statements.

6. Related party transactions

Related party balances at the period end are set out in Note 4 above. During the year the company recharged share based payment expenses of £1,372,000 (2015: £952,000) to SiS (Science in Sport) Limited via a capital contribution.

Science in Sport plc wholly owns SiS (Science in Sport) Limited, SiS (APAC) Pty Limited and Science in Sport Inc.

Company information

Company number	08535116
Directors	J M Clarke T Wright R Duignan S N Moon E Lake
Audit committee	R Duignan (Chairman) J M Clarke E Lake
Remuneration committee	S N Moon J M Clarke (Chairman)
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Registered office	4 th Floor 16 - 18 Hatton Gardens Farringdon London EC1N 8AT
Nominated adviser and broker	Cenkos Securities plc 6.7.8 Tokenhouse Yard London EC2R 7AS
Principal solicitors	Shoosmiths Apex Plaza Forbury Road Reading Berkshire RG1 1SH
Auditors	Moore Stephens LLP Prospect House Queens Road Reading Berkshire RG1 4RP