Judges Scientific plc

Interim Report 30 June 2018

Record figures

Record figures across revenues, adjusted profit before tax, adjusted earnings per share and dividends

Who we are

Judges Scientific plc is an AIM-quoted group specialising in the acquisition and development of a portfolio of scientific instrument businesses.

Corporate expansion is being pursued, both through organic growth within its subsidiary companies and through the acquisition of top-quality businesses with established reputations in world-wide markets.

For more information visit: www.judges.uk.com

Front cover image: GDS Instruments' 250kN load frame for rock testing with automated cell top lift.

Contents

Highlights

Key financials

- Revenues up 13% to a record £37.0 million (H1 2017: £32.7 million) including 5.7% Organic growth
- Adjusted* pre-tax profit up 50% to £6.6 million (H1 2017: £4.4 million)
  - Statutory pre-tax profit of £4.2 million (H1 2017: £2.1 million)
- Adjusted* basic earnings per share up 52% to 83.4p (H1 2017: 54.8p)
  - Statutory basic earnings per share of 53.3p (H1 2017: 23.9p)
- Interim dividend of 12.0p (H1 2017: 10.0p), an increase of 20%, covered 7 times by adjusted earnings
- Organic order intake up 2.3% compared with H1 2017
- Organic order book at 15.0 weeks (H1 2017: 15.4 weeks)
- Cash generated from operations of £6.3 million (H1 2017: £4.4 million)
- Adjusted* net debt of £2.2 million as at 30 June 2018 (31 December 2017: £8.0 million)
  - Statutory net debt of £2.4 million as at 30 June 2018 (31 December 2017: £7.6 million)
- Cash balances of £14.4 million as at 30 June 2018 (31 December 2017: £10.7 million)
- Bank debt refinanced with new facilities of £35 million
- Post-period end buy-back by PFO of one half of the shares held by its minority holders for a cash consideration of £1.5 million, increasing the Group's share in PFO from 51% to 67.5%

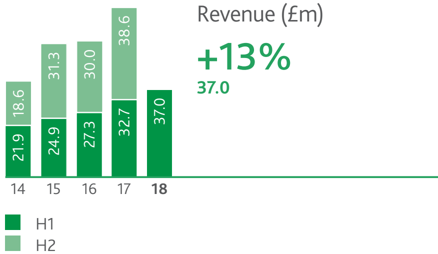
Trading update

- Adjusted profit before tax and earnings per share anticipated to be ahead of FY 2018 expectations

Revenue (£m)

+13%

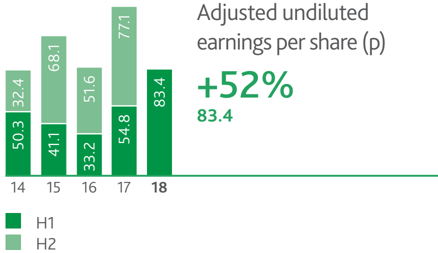
37.0



Adjusted undiluted earnings per share (p)

+52%

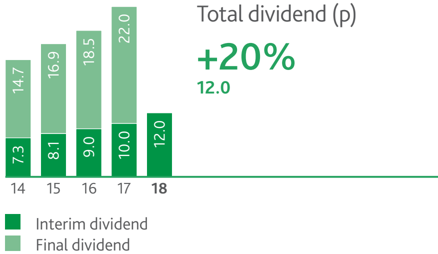
83.4



Total dividend (p)

+20%

12.0



* Adjusted earnings figures are stated before adjusting items relating to hedging of risks materialising after the end of the period, amortisation of acquired intangible assets, share-based payments and acquisition-related costs. Adjusted net debt notionally includes acquisition-related payments which had yet to be settled at the balance sheet date and excludes subordinated debt owed by subsidiaries to minority shareholders.

Chairman's statement

Summary

- Continued solid order intake underpinned by R&D investment
- Strong cash generation allowing further reduction of debt
- Benefiting from diversification by geography and markets

It is pleasing to report for the first half of 2018 record figures across revenues, adjusted profit before tax, adjusted earnings per share and dividends, maintaining the positive momentum experienced since the middle of 2016.

The Group's results for the six-month period to 30 June 2018 include a full contribution from Oxford Cryosystems Limited, which was acquired in July 2017. "Organic" in this statement excludes the performance of that business.

Trading performance

Group revenues for the six months ended 30 June 2018 increased 13% to a record £37.0 million (H1 2017: £32.7 million) as a result of 5.7% Organic growth and of the contribution from Oxford Cryosystems. Organic sales were particularly strong in the Rest of Europe (up 31%) and North America (up 16%); after its recent weakness, the UK showed some improvement (up 9%) but the Rest of the world receded 21%, mainly due to a pause in China/Hong Kong (down 17% after many years of strong, albeit erratic, growth). The non-Organic business produced revenues in line with the Board's expectations.

Profitability primarily driven by Organic revenue growth was bolstered by the underlying favourable foreign exchange environment, despite the tentative strengthening of Sterling for a period in the six months being reported; it was also reinforced by the progress made with the previously communicated localised production issues. Organic contribution to EBITA and central costs advanced by 36% which, with the contribution from Oxford Cryosystems, led to a 50% increase in adjusted pre-tax profit to £6.6 million (H1 2017: £4.4 million). Return on total invested capital (ROTIC) recovered to 24.2% for the trailing 12 months ended 30 June 2018 (30 June 2017: 17.4%) evidencing the performance momentum we have been building.

The strong Organic EBITA performance was the main factor behind earnings growth but they were also enhanced by the Oxford Cryosystems contribution and the increased shareholding in Bordeaux. Adjusted basic earnings per share progressed 52% to 83.4p (H1 2017: 54.8p) and adjusted diluted earnings per share grew similarly from 54.1p to 82.1p.

Your Directors continue to show adjusted figures, prepared consistently with past reports, in order to communicate to shareholders what is, in the Directors' opinion, the true operating performance of the Group. The total adjustments of £2.4 million (H1 2017: £2.3 million) include a £2.1 million charge for amortisation of acquired intangible assets (H1 2017: £2.2 million) arising through acquisition. The adjusting items reduce profit before tax from £6.6 million to £4.2 million (H1 2017: £2.1 million) and earnings per share to 53.3p basic and 52.4p diluted (H1 2017: 23.9p basic and 23.6p diluted).

Cashflow and net debt

Cashflow during the first half of 2018 was in tune with the improved trading, with cash from operations of £6.3 million (H1 2017: £4.4 million) representing 92% of adjusted EBIT (H1 2017: 95%). The interim balance sheet includes cash balances of £14.4 million and adjusted net debt of £2.2 million, down from £8.0 million at the beginning of 2018.

In April, the Company entered into an agreement with Lloyds Banking Group plc to refinance and expand the Group facilities for another five years; the new facilities consist of a £10 million term loan, a £20 million committed acquisition facility and a £5 million uncommitted acquisition facility (accordion) on similar terms to the previous agreement. Bordeaux Acquisition Limited's ("Bordeaux") facilities remain unchanged and

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During the period, the Group achieved new records in terms of revenues, adjusted profit before tax, adjusted earnings per share and dividends. This strong momentum has been maintained since the end of the period.”

separate from the Group's facilities. The Group owns 75.5% of the shares in, and shareholders' loans to, Bordeaux.

Order intake

As previously announced, Organic order intake in the first half was solid, showing a progression of 2.3% on the excellent performance achieved in the same period last year. On 30 June 2018, the Organic order book stood at 15.0 weeks of sales against 15.0 weeks at the beginning of 2018 and 15.4 weeks at 30 June 2017. With satisfactory bookings at Oxford Cryosystems, the Group's overall order book, including Oxford Cryosystems, at 30 June 2018 stood at 14.6 weeks.

Geographic Organic order intake grew strongly in the UK (by 27%) and in the Rest of Europe (by 24%), was flat in North America and down by 20% in China. This illustrates both the differential in timing between receipt of orders and their subsequent delivery, and also the variability of orders by geography over short periods. This is somewhat mitigated by the Group's diversity both by geography and by market.

Dividend

In accordance with the Company's dividend policy and in view of the positive performance in the period, the Board is declaring an interim dividend of 12.0p (2017: 10.0p), which will be paid on Friday 2 November 2018 to shareholders on the register on Friday 5 October 2018. The shares will go ex-dividend on Thursday 4 October 2018. The interim dividend is covered seven times by adjusted earnings.

Board composition

On 1 June 2018, we were delighted to welcome Charles Holroyd to the Board as a Non-Executive Director replacing Glynn Reece, who stepped down from the Board but remains as Company Secretary. Having been with the Group since its inception, Glynn has worked with the Board to grow the business and deliver significant value for our shareholders, and we thank him for his hugely valuable contribution.

Charles most recently worked at Oxford Instruments plc, which he joined in 1999 and where he served on the board from 2005 until 2013 and was responsible for group business development. Charles has a BSc in Electrical and Electronics Engineering from Bristol University and an MBA from INSEAD and is a Chartered Engineer and a Fellow of the Institution of Engineering and Technology. Charles is the senior independent Non-Executive Director and is a member of both the remuneration and audit committees.

Post-balance sheet event

On 8 August 2018 PE.fiberoptics Limited (PFO), the vehicle for a 2005 management buy-out backed by Judges, purchased half of its own shares from all shareholders other than Judges, satisfied by a portion of its surplus cash balances. As a result, PFO purchased 24.5% of its issued share capital and subsequently cancelled these shares, increasing the Group's share in PFO from 51% to 67.5%. The total value of the repurchase was £1.5 million and the Board expects the transaction to be immediately earnings enhancing for the Group.

Outlook

Currency fluctuations and the ups and downs of government spending in various parts of the global market for our products continue to be the main factors influencing demand in the short term and causing it to oscillate around the long-term positive trend driving the scientific sector.

In the last three years, trading has displayed a second half bias which is not expected to be replicated this year. Despite this, since the end of the period under review, order intake has continued to be positive and Organic intake for the first ten weeks of the second half is significantly ahead of the same period in 2017, giving the Board confidence that adjusted profit before tax and EPS will be ahead of current market expectations for the year as a whole.

The Hon. Alexander Hambro
Chairman
17 September 2018

Condensed consolidated interim statement of comprehensive income

	Note	Adjusted £000	Adjusting items £000	Six months to 30 June 2018 £000	Six months to 30 June 2017 £000	Year to 31 December 2017 £000
Revenue	3	36,962	—	36,962	32,720	71,360
Operating costs		(30,102)	—	(30,102)	(28,097)	(60,481)
Adjusted operating profit	3	6,860	—	6,860	4,623	10,879
Adjusting items	4	—	(2,350)	(2,350)	(2,295)	(5,217)
Operating profit/(loss)		6,860	(2,350)	4,510	2,328	5,662
Interest income		12	—	12	10	34
Interest expense	4	(263)	(27)	(290)	(268)	(575)
Profit/(loss) before tax		6,609	(2,377)	4,232	2,070	5,121
Taxation (charge)/credit		(991)	435	(556)	(224)	(382)
Profit/(loss) for the period		5,618	(1,942)	3,676	1,846	4,739
Attributable to:						
Owners of the parent		5,140	(1,857)	3,283	1,460	4,013
Non-controlling interests		478	(85)	393	386	726
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Retirement benefits actuarial gains/(losses)				128	160	(195)
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign subsidiaries				20	(30)	(75)
Other comprehensive income/(expense) for the period, net of tax				148	130	(270)
Total comprehensive income for the period				3,824	1,976	4,469
Attributable to:						
Owners of the parent				3,431	1,590	3,743
Non-controlling interests				393	386	726

	Note	Pence	Pence	Pence
Earnings per share – adjusted				
Basic	5	83.4	54.8	131.9
Diluted	5	82.1	54.1	130.3
Earnings per share – total				
Basic	5	53.3	23.9	65.6
Diluted	5	52.4	23.6	64.8

Condensed consolidated interim balance sheet

	Note	30 June 2018 £000	30 June 2017 £000	31 December 2017 £000
ASSETS				
Non-current assets				
Goodwill		**14,650**	13,335	14,650
Other intangible assets	6	**6,861**	7,586	9,006
Property, plant and equipment		**5,534**	5,275	5,344
Deferred tax assets		**713**	675	730
		27,758	26,871	29,730
Current assets				
Inventories		**11,424**	11,205	10,380
Trade and other receivables		**13,708**	10,842	11,827
Cash and cash equivalents		**14,365**	8,942	10,681
		39,497	30,989	32,888
Total assets		**67,255**	57,860	62,618
LIABILITIES				
Current liabilities				
Trade and other payables		**(13,961)**	(11,914)	(11,972)
Trade and other payables relating to acquisitions		**—**	(97)	(599)
Borrowings		**(3,081)**	(2,692)	(3,566)
Current tax liabilities		**(3,680)**	(2,073)	(2,821)
		(20,722)	(16,776)	(18,958)
Non-current liabilities				
Borrowings		**(13,642)**	(12,382)	(14,696)
Deferred tax liabilities		**(1,661)**	(1,807)	(2,087)
Retirement benefit obligations	11	**(2,094)**	(2,036)	(2,221)
		(17,397)	(16,225)	(19,004)
Total liabilities		**(38,119)**	(33,001)	(37,962)
Net assets		**29,136**	24,859	24,656
EQUITY				
Share capital	7	**309**	306	307
Share premium		**15,000**	14,479	14,529
Other reserves		**2,075**	2,100	2,055
Retained earnings		**10,282**	6,175	6,688
Equity attributable to owners of the parent		**27,666**	23,060	23,579
Non-controlling interests		**1,470**	1,799	1,077
Total equity		**29,136**	24,859	24,656

Condensed consolidated interim statement of changes in equity

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total attributable to owners of parent £000	Non-controlling interests £000	Total equity £000
At 1 January 2018	307	14,529	2,055	6,688	23,579	1,077	24,656
Share-based payments	—	—	—	183	183	—	183
Issue of share capital	2	471	—	—	473	—	473
Transactions with owners	2	471	—	183	656	—	656
Profit for the period	—	—	—	3,283	3,283	393	3,676
Retirement benefit actuarial gains	—	—	—	128	128	—	128
Foreign exchange differences	—	—	20	—	20	—	20
Total comprehensive income for the period	—	—	20	3,411	3,431	393	3,824
At 30 June 2018	**309**	**15,000**	**2,075**	**10,282**	**27,666**	**1,470**	**29,136**

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total attributable to owners of parent £000	Non-controlling interests £000	Total equity £000
At 1 January 2017	305	14,472	2,130	4,425	21,332	1,413	22,745
Share-based payments	—	—	—	130	130	—	130
Issue of share capital	1	7	—	—	8	—	8
Transactions with owners	1	7	—	130	138	—	138
Profit for the period	—	—	—	1,460	1,460	386	1,846
Retirement benefit actuarial gains	—	—	—	160	160	—	160
Foreign exchange differences	—	—	(30)	—	(30)	—	(30)
Total comprehensive (expense)/income for the period	—	—	(30)	1,620	1,590	386	1,976
At 30 June 2017	306	14,479	2,100	6,175	23,060	1,799	24,859

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total attributable to owners of parent £000	Non-controlling interests £000	Total equity £000
At 1 January 2017	305	14,472	2,130	4,425	21,332	1,413	22,745
Dividends	—	—	—	(1,743)	(1,743)	—	(1,743)
Adjustments arising from change in non-controlling interest	—	—	—	(96)	(96)	(1,062)	(1,158)
Issue of share capital	2	57	—	—	59	—	59
Share-based payments	—	—	—	284	284	—	284
Transactions with owners	2	57	—	(1,555)	(1,496)	(1,062)	(2,558)
Profit for the year	—	—	—	4,013	4,013	726	4,739
Retirement benefit actuarial losses	—	—	—	(195)	(195)	—	(195)
Foreign exchange differences	—	—	(75)	—	(75)	—	(75)
Total comprehensive (expense)/income for the year	—	—	(75)	3,818	3,743	726	4,469
At 31 December 2017	307	14,529	2,055	6,688	23,579	1,077	24,656

Condensed consolidated interim cashflow statement

	Six months to 30 June 2018 £000	Six months to 30 June 2017 £000	Year to 31 December 2017 £000
Cashflows from operating activities			
Profit after tax	**3,676**	1,846	4,739
Adjustments for:			
Financial instruments measured at fair value: Hedging contracts	**22**	15	22
Share-based payments	**183**	130	284
Depreciation	**373**	338	675
Amortisation of intangible assets	**2,145**	2,150	4,589
(Profit)/loss on disposal of property, plant and equipment	**—**	(1)	54
Foreign exchange (gains)/losses on foreign currency loans	**(18)**	35	48
Interest income	**(12)**	(10)	(34)
Interest expense	**263**	237	515
Retirement benefit obligation net interest cost	**27**	31	60
Contributions to defined benefit plans	**—**	—	(236)
Tax recognised in income statement	**556**	224	382
Increase in inventories	**(1,044)**	(1,266)	(25)
(Increase)/decrease in trade and other receivables	**(1,881)**	499	111
Increase/(decrease) in trade and other payables	**1,989**	180	(263)
Cash generated from operations	**6,279**	4,408	10,921
Finance costs paid	**(266)**	(239)	(482)
Tax (paid)/received	**(115)**	216	68
Net cash from operating activities	**5,898**	4,385	10,507
Cashflows from investing activities			
Paid on acquisition of new subsidiaries	**(599)**	(1,507)	(8,769)
Gross cash inherited on acquisition	**—**	—	1,655
Acquisition of subsidiaries, net of cash acquired	**(599)**	(1,507)	(7,114)
Paid on the acquisition of trade and assets	**—**	(11)	(11)
Purchase of property, plant and equipment	**(557)**	(339)	(728)
Proceeds from the sale of assets	**—**	8	—
Interest received	**12**	10	34
Net cash used in investing activities	**(1,144)**	(1,839)	(7,819)
Cashflows from financing activities			
Proceeds from issue of share capital	**473**	8	59
Repayments of borrowings*	**(1,518)**	(1,503)	(2,668)
Proceeds from bank loans*	**—**	—	4,500
Equity dividends paid	**—**	—	(1,743)
Net cash (used in)/from financing activities	**(1,045)**	(1,495)	148
Net change in cash and cash equivalents	**3,709**	1,051	2,836
Cash and cash equivalents at start of period	**10,681**	7,909	7,909
Exchange movements	**(25)**	(18)	(64)
Cash and cash equivalents at end of period	**14,365**	8,942	10,681

* On 27 April 2018, £12,896,000 of outstanding loans were repaid and simultaneously reborrowed as the Group renewed its banking facilities (see note 10).

Notes to the interim report

1. General information and basis of preparation

The Judges Scientific plc Group's principal activities comprise the design, manufacture and sale of scientific instruments. The subsidiaries are grouped into two segments: Materials Sciences and Vacuum.

The financial information set out in this Interim Report for the six months ended 30 June 2018 and the comparative figures for the six months ended 30 June 2017 are unaudited. The Interim Report has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The Interim Report does not contain all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2017, which have been prepared in accordance with IFRS as adopted by the European Union.

The financial information for the year ended 31 December 2017 set out in this Interim Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2017 have been filed with the Registrar of Companies. The Auditor's Report in respect of those financial statements was unqualified and did not contain statements under section 498 of the Companies Act 2006.

Judges Scientific plc is the Group's ultimate parent company. The Company is a public limited company incorporated and domiciled in the United Kingdom. Its registered office and principal place of business is 52c Borough High Street, London SE1 1XN and the Company's shares are quoted on the Alternative Investment Market. The Interim Report is presented in Sterling, which is the functional currency of the parent company. The Interim Report has been approved for issue by the Board of Directors on 17 September 2018.

2. Significant accounting policies

The Interim Report has been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2017, except for the taxation policy where, for the purposes of the interim results, the tax charge on adjusted business performance is calculated by reference to the estimated effective rate for the full year. Additionally, the Group has adopted IFRS 15 'Revenue from Contracts with Customers' as of 1 January 2018. No restatement to prior period comparatives was required.

3. Segmental analysis

For the period ended 30 June 2018	Note	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Revenue		**16,295**	**20,667**	**—**	**36,962**
Operating costs		**(12,988)**	**(15,991)**	**(1,123)**	**(30,102)**
Adjusted operating profit		**3,307**	**4,676**	**(1,123)**	**6,860**
Adjusting items	4				**(2,350)**
Operating profit					**4,510**
Net interest expense					**(278)**
Profit before tax					**4,232**
Income tax charge					**(556)**
Profit for the period					**3,676**

For the period ended 30 June 2017	Note	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Revenue		16,274	16,446	—	32,720
Operating costs		(12,906)	(13,973)	(1,218)	(28,097)
Adjusted operating profit		3,368	2,473	(1,218)	4,623
Adjusting items	4				(2,295)
Operating profit					2,328
Net interest expense					(258)
Profit before tax					2,070
Income tax charge					(224)
Profit for the period					1,846

For the year ended 31 December 2017	Note	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Revenue		34,088	37,272	—	71,360
Operating costs		(26,699)	(31,225)	(2,557)	(60,481)
Adjusted operating profit		7,389	6,047	(2,557)	10,879
Adjusting items	4				(5,217)
Operating profit					5,662
Net interest expense					(541)
Profit before tax					5,121
Income tax charge					(382)
Profit for the year					4,739

Unallocated items relate to the Group's head office costs.

Notes to the interim report continued

3. Segmental analysis continued

Segment assets and liabilities

At 30 June 2018	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Assets	19,445	24,704	23,106	67,255
Liabilities	(9,491)	(14,826)	(13,802)	(38,119)
Net assets	9,954	9,878	9,304	29,136
Capital expenditure	122	435	—	557
Depreciation	122	233	18	373
Amortisation	775	1,370	—	2,145

At 30 June 2017	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Assets	16,450	21,469	19,941	57,860
Liabilities	(7,579)	(7,380)	(18,042)	(33,001)
Net assets	8,871	14,089	1,899	24,859
Capital expenditure	174	165	—	339
Depreciation	114	206	18	338
Amortisation	1,115	1,035	—	2,150

At 31 December 2017	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Assets	16,741	22,774	23,103	62,618
Liabilities	(7,274)	(11,677)	(19,011)	(37,962)
Net assets	9,467	11,097	4,092	24,656
Capital expenditure	288	440	—	728
Depreciation	221	419	35	675
Amortisation	2,045	2,544	—	4,589

Unallocated items are borrowings, intangible assets and goodwill arising on acquisition, deferred tax, defined benefit obligations and parent company net assets.

Geographic analysis	Six months to 30 June 2018 £000	Six months to 30 June 2017 £000	Year to 31 December 2017 £000
UK (domicile)	4,541	4,003	9,005
Rest of Europe	11,499	7,825	17,784
North America	9,972	8,103	18,380
Rest of the world	10,950	12,789	26,191
Revenue	36,962	32,720	71,360

4. Adjusting items

	Six months to 30 June 2018 £000	Six months to 30 June 2017 £000	Year to 31 December 2017 £000
Amortisation of intangible assets	**2,145**	2,150	4,589
Financial instruments measured at fair value: Hedging contracts	**22**	15	22
Share-based payments	**183**	130	284
Acquisition costs	**—**	—	322
Total adjusting items within operating profit	**2,350**	2,295	5,217
Retirement benefits obligation net interest cost	**27**	31	60
Total adjusting items	**2,377**	2,326	5,277
Taxation	**(435)**	(435)	(1,092)
Total adjusting items net of tax	**1,942**	1,891	4,185
Attributable to:			
Owners of the parent	**1,857**	1,888	4,061
Non-controlling interests	**85**	3	124
	1,942	1,891	4,185

5. Earnings per share

	Note	Six months to 30 June 2018 £000	Six months to 30 June 2017 £000	Year to 31 December 2017 £000
Profit for the period attributable to owners of the parent				
Adjusted profit		**5,140**	3,348	8,074
Adjusting items	4	**(1,857)**	(1,888)	(4,061)
Profit for the period		**3,283**	1,460	4,013
		Pence	Pence	Pence
Earnings per share – adjusted				
Basic		**83.4**	54.8	131.9
Diluted		**82.1**	54.1	130.3
Earnings per share – total				
Basic		**53.3**	23.9	65.6
Diluted		**52.4**	23.6	64.8

Notes to the interim report continued

5. Earnings per share continued

		Number	Number	Number
Issued Ordinary shares at start of the period	7	**6,141,128**	6,107,628	6,107,628
Movement in Ordinary shares during the period	7	**43,050**	8,000	33,500
Issued Ordinary shares at end of the period	7	**6,184,178**	6,115,628	6,141,128
Weighted average number of shares in issue		**6,162,943**	6,113,982	6,121,643
Dilutive effect of share options		**96,928**	71,371	72,786
Weighted average shares in issue on a diluted basis		**6,259,871**	6,185,353	6,194,429

Adjusted basic earnings per share is calculated on the adjusted profit, which is presented before any adjusting items, attributable to the Company's shareholders divided by the weighted average number of shares in issue during the period.

Adjusted diluted earnings per share is calculated on the adjusted basic earnings per share, adjusted to allow for the issue of Ordinary shares on the assumed conversion of all dilutive options and any other dilutive potential Ordinary shares. The calculation is based on the treasury method prescribed in IAS 33. This calculates the theoretical number of shares that could be purchased at the average middle market price in the period out of the proceeds of the notional exercise of outstanding options. The difference between this theoretical number and the actual number of shares under option is deemed liable to be issued at nil value and represents the dilution.

Total earnings per share is calculated as above whilst substituting total profit for adjusted profit.

6. Other intangible assets

The following tables show the significant additions to and amortisation of intangible assets:

	Carrying amount at 1 January 2018 £000	Acquisitions £000	Disposal £000	Amortisation £000	**Carrying amount at 30 June 2018 £000**
Distribution agreements	606	—	—	(158)	**448**
Research and development	3,712	—	—	(702)	**3,010**
Sales order backlog	—	—	—	—	**—**
Brand and domain names	3,705	—	—	(973)	**2,732**
Customer relationships	983	—	—	(312)	**671**
Total	9,006	—	—	(2,145)	**6,861**

	Carrying amount at 1 January 2017 £000	Acquisitions £000	Disposal £000	Amortisation £000	Carrying amount at 30 June 2017 £000
Distribution agreements	481	—	—	(190)	291
Research and development	3,547	—	—	(638)	2,909
Sales order backlog	90	—	—	(90)	—
Brand and domain names	4,093	—	—	(891)	3,202
Customer relationships	1,525	—	—	(341)	1,184
Total	9,736	—	—	(2,150)	7,586

6. Other intangible assets continued

	Carrying amount at 1 January 2017 £000	Acquisitions £000	Disposal £000	Amortisation £000	Carrying amount at 31 December 2017 £000
Distribution agreements	481	555	—	(430)	606
Research and development	3,547	1,481	—	(1,316)	3,712
Sales order backlog	90	225	—	(315)	—
Brand and domain names	4,093	1,437	—	(1,825)	3,705
Customer relationships	1,525	192	(31)	(703)	983
Total	9,736	3,890	(31)	(4,589)	9,006

7. Share capital

Movements in the Group's Ordinary shares in issue are summarised as follows:

Ordinary shares of 5p each	**Six months to 30 June 2018 Number**	Six months to 30 June 2017 Number	Year to 31 December 2017 Number
Issued and fully paid			
Start of the period	**6,141,128**	6,107,628	6,107,628
Exercise of share options	**43,050**	8,000	33,500
End of the period	**6,184,178**	6,115,628	6,141,128

During the first six months of 2018 the following allotments took place:

- 43,050 Ordinary shares were issued to satisfy the exercise of share options as follows:
  - on 22 January 2018 when the mid-market share price was 2,350.0p;
  - on 31 January 2018 when the mid-market share price was 2,290.0p;
  - on 6 April 2018 when the mid-market share price was 2,350.0p;
  - on 9 April 2018 when the mid-market share price was 2,350.0p;
  - on 13 April 2018 when the mid-market share price was 2,350.0p; and
  - on 4 May 2018 when the mid-market share price was 2,550.0p.

Notes to the interim report continued

8. Changes in net debt

Changes in net debt for the six months ended 30 June 2018 were as follows:

	1 January 2018 £000	Cashflow £000	Non-cash items £000	**30 June 2018 £000**
Cash at bank and in hand	10,681	3,709	(25)	**14,365**
Bank debt	(18,072)	1,518	21	**(16,533)**
Net senior debt	(7,391)	5,227	(4)	**(2,168)**
Subordinated debt to non-controlling shareholders	(190)	—	—	**(190)**
Effect of payments relating to the acquisition of Crystallon Limited not settled at 31 December 2017 (included within current liabilities)	(599)	599	—	**—**
Total net debt	(8,180)	5,826	(4)	**(2,358)**
Subordinated debt to non-controlling shareholders	190	—	—	**190**
Adjusted net debt	(7,990)	5,826	(4)	**(2,168)**

Non-cash items represent foreign exchange differences on bank loans.

9. Acquisitions

In March 2018, deferred consideration of £0.599 million was paid to the vendors of Crystallon Limited ("Crystallon") following achievement by Crystallon of EBITA in excess of £0.899 million for the financial year ended 30 November 2017.

10. Banking arrangements

On 27 April 2018, the Group entered into new banking facilities ("Facility") with Lloyds Banking Group plc (the "Bank") replacing its existing banking arrangements. The Facility was for an aggregate £35.0 million consisting of a £10.0 million term loan ("Term Loan"), a committed £20.0 million revolving credit facility (RCF) plus a £5.0 million accordion facility, which can be drawn at the discretion of the Bank. The Facility replaced the previous facilities for which the Group had a total of £12.9 million outstanding. The Facility has a five-year term ("Borrowing Term") with covenants and interest consistent with the previous bank facilities. The Term Loan shall amortise on a straight-line basis over the Borrowing Term by quarterly instalments. The RCF is repayable in a bullet at the end of the Borrowing Term.

The existing lending facilities via Bordeaux Acquisition Limited ("Bordeaux"), the Group's 75.5% owned subsidiary, remain unchanged. Bordeaux was set up as a vehicle to acquire Deben UK Limited and was used in 2017 to acquire Crystallon, the parent of Oxford Cryosystems Limited.

11. Defined benefit scheme

The Group's defined benefit pension scheme liability has reduced to £2.1 million compared to £2.2 million at 31 December 2017, due to a small increase in the discount rate.

12. Dividends

During the period, the Company paid no dividends (2017: £nil).

The Company paid a final dividend of 22.0p per share (£1.4 million) on 6 July 2018 relating to the financial year ended 31 December 2017.

The Company will pay an interim dividend for 2018 of 12.0p per share on 2 November 2018 to shareholders on the register on 5 October 2018. The shares will go ex-dividend on 4 October 2018.

13. Post-balance sheet event

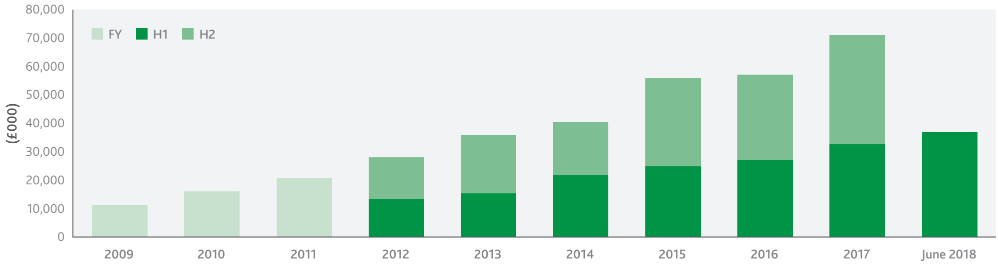
On 8 August 2018 the Company's interest in its majority owned subsidiary PE.fiberoptics Limited (PFO) increased from 51% to 67.5%.

In 2005, Judges financed the management buy-out of a business manufacturing instruments to test fibre optics. The buy-out vehicle, PFO, was owned by Judges (51%), the seller (14%) with the management of PFO owning the balance of the equity (35%).

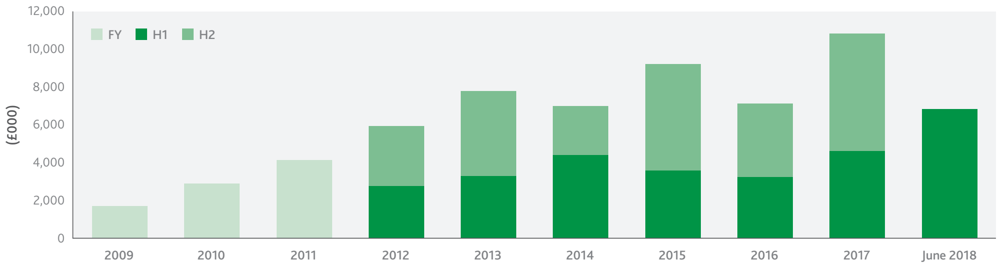
PFO purchased half of the shares owned by all shareholders other than Judges, totalling 24.5% of its issued share capital, satisfied by a portion of its surplus cash balances and subsequently cancelled those shares acquired. The total value of the repurchase was £1.5 million, based on an enterprise value of £3.8 million for 100% of PFO. In 2017, PFO generated £1.1 million EBIT.

Financial history

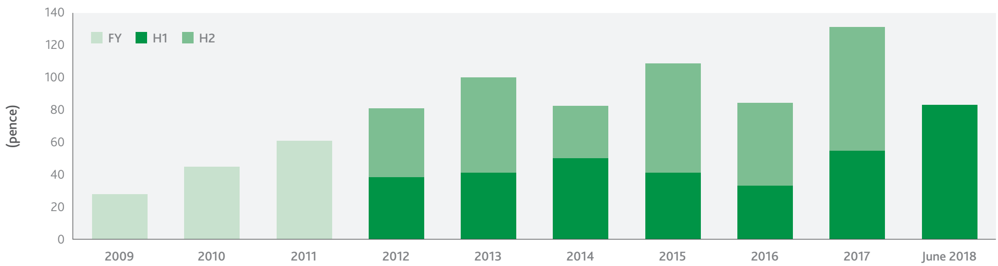
Revenue – ten years



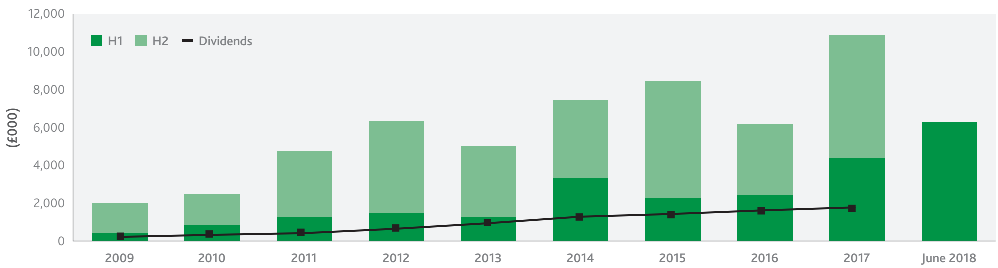
Adjusted operating profit – ten years



Earnings per share adjusted undiluted – ten years



Cash generation from operations and dividends



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