Judges Scientific plc

Interim Report 30 June 2020

Resilient profitability

Resilient profitability and cash generation throughout despite impact of COVID-19. Further execution of the Group's buy and build model.

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

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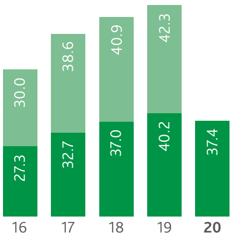
Cover image: THT esARC standard calorimeter assembly with spherical sample holder, widely used throughout chemical and lithium battery industries.

Highlights

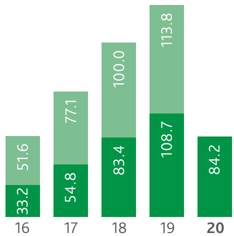


H1
H2

-6.8%

Revenue (£m)

£37.4m



H1
H2

-22.5%

Adjusted* basic earnings per share (p)

84.2p

Interim dividend
Final dividend

+10.0%

Interim dividend*** (p)

16.5p

KEY FINANCIALS

- Revenue reduced 6.8% to £37.4 million (H1 2019: £40.2 million);
- Adjusted* pre-tax profit of £6.4 million (H1 2019: £8.4 million);
  - Statutory pre-tax profit of £4.3 million (H1 2019: £6.9 million);
- Adjusted* basic earnings per share of 84.2p (H1 2019: 108.7p);
  - Statutory basic earnings per share of 57.8p (H1 2019: 90.1p);
- Interim dividend of 16.5p (H1 2019: 15.0p), an increase of 10.0%;
- Cash generated from operations of £5.1 million (H1 2019: £8.5 million);
- Adjusted* net debt (excl. IFRS 16) of £6.4 million as at 30 June 2020 (31 December 2019: £2.0 million);
- Statutory net debt (excl. IFRS 16) of £3.9 million as at 30 June 2020 (31 December 2019: £0.3 million);
- Cash balances increased to £19.4 million as at 30 June 2020 (31 December 2019: £14.1 million).

OTHER FINANCIALS

- Organic** revenue reduced 12% against H1 2019 as a result of COVID-19 impact in the period;
- Organic** order intake down 17% compared with H1 2019;
- Organic** order book at 10.8 weeks (H1 2019: 13.2 weeks); total order book at 12.4 weeks.

ACQUISITION

- Heath Scientific was acquired on 29 May 2020 for £7.3 million plus excess cash.

OUTLOOK

- Our markets still remain uncertain, with the expectation that research funding and university financing throughout the world may take time to recover;
- The Board believes that many of the orders that were not obtained have been deferred rather than cancelled;
- H2 Organic orders to 18 September are 13.8% down compared to the same period in 2019; year-to-date Organic orders now 16.2% down;
- Total order book at the end of August was 13.2 weeks;
- Cautious confidence in the ability of the Group to meet existing market expectations for the year.

* 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 non-controlling shareholders and excludes IFRS 16 debt.

** Organic designates Group performance excluding the businesses which were not part of the Group on 1 January 2019.

*** Dividends exclude the special dividend paid in December 2019.

Chairman's statement

SUMMARY

- Completed acquisition of THT in May 2020 for £7.3m plus excess cash; immediately earnings enhancing
- In response to pandemic, solutions put in place to allow manufacturing to continue. Focus on health and safety of employees, cost control and cash preservation
- Long-term fundamentals of the Group unchanged

"The Group's performance was impacted by the outbreak of COVID-19 and the subsequent difficult trading conditions associated with lockdowns across the globe. Despite this, the Group's business model has remained intact with the Company continuing to be profitable and cash generative throughout the period and executing on its acquisition strategy."

The outbreak of the coronavirus, with the consequential lockdowns in most of our markets, has had a material impact on the Group's trading performance, particularly on order intake which fundamentally drives all other Group key performance metrics.

The challenges that our teams have faced have been substantial. I would like to take this opportunity to thank them all for the way they have responded, particularly in adapting to the new ways of working.

Despite the difficult environment created by the COVID-19 pandemic, the Group was able to complete the acquisition of Heath Scientific Company Limited ("Heath" or "THT") in May demonstrating the resilience of our business model.

The Group's results for the period include six months trading from Moorfield Nanotechnology and one month from Heath; information excluding the contribution from these recently acquired businesses is shown as "Organic".

COVID-19

Since the emergence of COVID-19 as a pandemic, the main priority for the Group has been to ensure the safety of our colleagues through adherence to the UK government's rules and guidelines around social distancing and hygiene, and approximately half of our staff continue to work from home. Thanks to the Group's decentralised structure, our businesses have been able to put in place highly tailored and specific solutions to allow manufacturing to continue throughout the crisis. Thanks also to the efforts of our colleagues at all levels, to date none of our employees have been seriously ill and none of our facilities have been contaminated.

The Group has only suffered minor supply chain issues, all of which have been mitigated and managed accordingly. Customer closures have resulted in a minority of deliveries being postponed and many installations have still to be performed.

As outlined in our previous COVID-19 trading updates, the Board implemented a range of measures to control costs and preserve cash. As a result of those actions, we continue to be in a healthy and secure financial position, and the Group has remained profitable and cash generative throughout the period.

The Group's current intention is to use the return-to-work bonus scheme introduced by the government to part-compensate staff whose remuneration was impacted or who suffered hardship as a result of the Group's compliance with the government's measures to fight COVID-19.

Order intake

Across the Group, Organic order intake as of 30 June 2020 was down 17% compared to the same period in 2019. This was caused by the closure of universities, the cancellation of scientific conferences and our inability to travel, as well as capital expenditure freezes by industrial customers. This contraction in order intake was not evenly spread across our key geographies, with the UK decreasing 5%, China/Hong Kong and the Rest of Europe each down 7%, North America down 32% and the Rest of the World down 24%. Order intake also varied considerably from business to business. The downturn was most brutal in April when Organic intake was reduced to 40% of normal levels. Organic intake recovered in May to recoup nearly half of the deficit, and continued to recover in June.

Efforts to sustain revenues resulted in a partial consumption of the order book; the Organic order book as at 30 June 2020 was eroded from the 13.2 weeks available at the beginning of the period to 10.8 weeks of budgeted revenue, which in the Board's view is still satisfactory. Total order book stood at 12.4 weeks.

Revenues

Group revenues for the period decreased to £37.4 million (H1 2019: £40.2 million). This comprised a 12% reduction in Organic revenues, partially offset by the contribution of newly acquired businesses. Organic revenue contracted less than Organic order intake as a result of the compression of the Organic order book from the healthy opening level. Whilst order weakness was the main driver of the revenue slowdown, the inability of our customers to receive deliveries delayed a number of sales but this was alleviated towards the end of the period.

Organic sales were strong in China/Hong Kong (up 30%) and the UK (up 8%) but were particularly weak in North America (down 30%). The Rest of Europe receded by 14% and the Rest of the World by 7%.

Profits

The reduced revenues have had a significant impact on profitability reflecting the operational gearing within the Group. Without proactive management, a 12% reduction in Organic revenue would ordinarily have negatively impacted operating profit by a third. This was partially offset by natural savings (travel, scientific conferences and bonuses), by the deferral of budgeted projects and by reductions in personnel costs; the impact of which was largely softened by the UK government's Coronavirus Job Retention Scheme. This resulted in adjusted operating profit decreasing 22% to £6.7 million (H1 2019: £8.6 million) and adjusted pre-tax profit decreasing 24% to £6.4 million (H1 2019: £8.4 million).

Return on Total Invested Capital ("ROTIC") remained strong albeit receding to 26.6% for the trailing 12 months ended 30 June 2020 (31 December 2019: 31.4%; 30 June 2019: 31.0%).

Adjusted basic earnings per share reduced 23% to 84.2p (H1 2019: 108.7p) and adjusted diluted earnings per share reduced similarly from 107.0p to 82.5p.

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 £2.1 million (H1 2019: £1.5 million) consist primarily of a £1.4 million charge for amortisation of acquired intangible assets arising through acquisition. The main movement from H1 2019 is the acquisition costs in respect of Heath. The adjusting items reduce profit before tax from £6.4 million to £4.3 million (H1 2019: £6.9 million) and earnings per share to 57.8p basic and 56.6p diluted (H1 2019: 90.1p basic and 88.6p diluted).

Cashflow and net debt

Cashflow during the first half of 2020 mirrored the trading challenges, with cash generated from operations of £5.1 million (H1 2019: £8.5 million) representing 76% of adjusted operating profit (H1 2019: 98%). Cash conversion was affected by increased working capital requirements from stockpiling of components to counteract potential supply channel difficulties; by the inability of customers to receive shipments and by payment delays due to our inability to travel and perform installations. The interim balance sheet includes cash balances of £19.4 million and adjusted net debt of £6.4 million, from £2.0 million at the beginning of 2020. To secure our position at the outset of the lockdown, Lloyds Bank agreed to repurpose £5 million of our revolving credit facility; this was drawn down in full and has contributed to the healthy cash balance.

Acquisitions

In line with the Group's buy and build model, the Group acquired Heath on 29 May 2020 for a total cash consideration of £7.3 million, including a £2 million earn-out which was paid in full after the end of the period, together with an amount equal to the excess cash not required in the business. The Bletchley-based business makes calorimetry instruments used to measure heat release during chemical reactions; the main application is ensuring the safety of lithium-ion batteries and the main market is China. In the twelve-month period to 30 April 2020, Heath produced adjusted EBIT of £1.3 million.

On 31 March 2020, the Group purchased the outstanding shares (25.5% of the issued share capital) it did not previously own in PE.fiberoptics for a cash consideration of £1.1 million.

Chairman's statement continued

Dividend

In accordance with the Company's policy of increasing dividends by no less than 10% per annum, and bearing in mind the generous dividend cover and the fact that shareholders are also stakeholders, the Board is declaring an interim dividend of 16.5p (2019: 15.0p), which will be paid on Friday 6 November 2020 to shareholders on the register on Friday 9 October 2020. The shares will go ex-dividend on Thursday 8 October 2020. The interim dividend is covered 5 times by adjusted earnings (2019: 7 times).

Board change

We are delighted that Lushani Kodituwakku will be joining the Board on 23 September 2020 as an independent Non-Executive Director and will also be a member of the Remuneration Committee. Lushani is the founder and CEO of Luminii Consulting, a consulting firm specialising in strategy, Commercial Due Diligence ("CDD") and value creation. Lushani holds a Bachelor of Science (BSc) in Economics with first-class honours, and a Master of Research (MRes) in Management and Organisational Behaviour.

Lushani brings extensive expertise in strategy, CDD and value creation. We look forward to her guidance over the coming years as the Group continues to execute its buy and build growth strategy.

Outlook

The Group is fortunate that it is operating in a relatively sheltered sector and the Directors believe that many of the orders that were not obtained during the period have been deferred rather than cancelled. However, great uncertainty persists on the timing of a return to normal due to the threat of further outbreaks across the globe. In addition, research funding and university financing throughout the world may be affected even after the health emergency has subsided.

H2 Organic orders to 18 September are 13.8% down compared to the same period in 2019 bringing the year-to-date Organic orders to 16.2% down. The total order book at the end of August was 13.2 weeks, and this provides the Board with cautious confidence in the ability of the Group to meet the existing market expectations for the year as a whole.

Throughout this difficult period the Group has proven its resilience; its ability to operate its businesses profitably and to execute its acquisition strategy should provide shareholders with confidence that the long-term prospects of the Group are unaffected.

The Hon. Alexander Hambro
Chairman
21 September 2020

Condensed consolidated interim statement of comprehensive income

	Note	Adjusted £000	Adjusting items £000	Six months to 30 June 2020 £000	Six months to 30 June 2019 £000	Year to 31 December 2019 £000
Revenue	3	**37,449**	**—**	**37,449**	40,169	82,499
Operating costs		**(30,746)**	**—**	**(30,746)**	(31,539)	(65,115)
Adjusted operating profit	3	**6,703**	**—**	**6,703**	8,630	17,384
Adjusting items	4	**—**	**(2,080)**	**(2,080)**	(1,480)	(3,274)
Operating profit/(loss)		**6,703**	**(2,080)**	**4,623**	7,150	14,110
Interest income		**13**	**—**	**13**	49	101
Interest expense	4	**(281)**	**(22)**	**(303)**	(282)	(580)
Profit/(loss) before tax		**6,435**	**(2,102)**	**4,333**	6,917	13,631
Taxation (charge)/credit		**(940)**	**363**	**(577)**	(1,051)	(1,777)
Profit/(loss) for the period		**5,495**	**(1,739)**	**3,756**	5,866	11,854
Attributable to:						
Owners of the parent		**5,268**	**(1,654)**	**3,614**	5,592	11,382
Non-controlling interests		**227**	**(85)**	**142**	274	472
Profit/(loss) for the period		**5,495**	**(1,739)**	**3,756**	5,866	11,854
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Retirement benefits actuarial loss				**(740)**	(250)	(375)
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign subsidiaries				**144**	16	(62)
Other comprehensive expense for the period, net of tax				**(596)**	(234)	(437)
Total comprehensive income for the period				**3,160**	5,632	11,417
Attributable to:						
Owners of the parent				**3,018**	5,358	10,945
Non-controlling interests				**142**	274	472
				Pence	Pence	Pence
Earnings per share – adjusted						
Basic	5			**84.2**	108.7	222.5
Diluted	5			**82.5**	107.0	218.4
Earnings per share – total						
Basic	5			**57.8**	90.1	183.1
Diluted	5			**56.6**	88.6	179.8

Condensed consolidated interim balance sheet

	Note	30 June 2020 £000	30 June 2019 £000	31 December 2019 £000
ASSETS				
Non-current assets				
Goodwill		**18,196**	14,650	15,265
Other intangible assets	6	**7,098**	3,989	4,458
Property, plant and equipment		**6,583**	5,460	6,107
Right-of-use leased assets		**4,295**	2,610	4,428
Deferred tax assets		**2,131**	775	1,873
		38,303	27,484	32,131
Current assets				
Inventories		**14,040**	11,926	12,543
Trade and other receivables		**12,666**	11,610	11,814
Cash and cash equivalents		**19,422**	20,780	14,123
		46,128	44,316	38,480
Total assets		**84,431**	71,800	70,611
LIABILITIES				
Current liabilities				
Trade and other payables		**(15,069)**	(12,988)	(15,322)
Trade and other payables relating to acquisitions		**(2,769)**	—	(1,896)
Borrowings		**(3,047)**	(3,047)	(3,051)
Right-of-use lease liabilities		**(854)**	(650)	(757)
Current tax liabilities		**(2,512)**	(2,572)	(2,258)
		(24,251)	(19,257)	(23,284)
Non-current liabilities				
Borrowings		**(20,244)**	(10,541)	(11,399)
Right-of-use lease liabilities		**(3,468)**	(1,900)	(3,689)
Deferred tax liabilities		**(1,819)**	(1,215)	(1,447)
Retirement benefit obligations	10	**(3,088)**	(2,162)	(2,100)
		(28,619)	(15,818)	(18,635)
Total liabilities		**(52,870)**	(35,075)	(41,919)
Net assets		**31,561**	36,725	28,692
EQUITY				
Share capital	7	**314**	311	311
Share premium		**16,068**	15,359	15,453
Other reserves		**2,203**	2,137	2,059
Retained earnings		**12,404**	18,295	10,048
Equity attributable to owners of the parent		**30,989**	36,102	27,871
Non-controlling interests		**572**	623	821
Total equity		**31,561**	36,725	28,692

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 2020	311	15,453	2,059	10,048	27,871	821	28,692
Adjustment arising from change in non-controlling interest	—	—	—	(680)	(680)	(391)	(1,071)
Issue of share capital	3	615	—	—	618	—	618
Share-based payments	—	—	—	162	162	—	162
Transactions with owners	3	615	—	(518)	100	(391)	(291)
Profit for the period	—	—	—	3,614	3,614	142	3,756
Retirement benefit actuarial loss	—	—	—	(740)	(740)	—	(740)
Foreign exchange differences	—	—	144	—	144	—	144
Total comprehensive income for the period	—	—	144	2,874	3,018	142	3,160
At 30 June 2020	**314**	**16,068**	**2,203**	**12,404**	**30,989**	**572**	**31,561**

	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 2019	310	15,164	2,121	13,049	30,644	562	31,206
Adjustment arising from change in non-controlling interest	—	—	—	(204)	(204)	(213)	(417)
Issue of share capital	1	195	—	—	196	—	196
Share-based payments	—	—	—	108	108	—	108
Transactions with owners	1	195	—	(96)	100	(213)	(113)
Profit for the period	—	—	—	5,592	5,592	274	5,866
Retirement benefit actuarial loss	—	—	—	(250)	(250)	—	(250)
Foreign exchange differences	—	—	16	—	16	—	16
Total comprehensive income for the period	—	—	16	5,342	5,358	274	5,632
At 30 June 2019	311	15,359	2,137	18,295	36,102	623	36,725

	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 2019	310	15,164	2,121	13,049	30,644	562	31,206
Dividends	—	—	—	(15,126)	(15,126)	—	(15,126)
Adjustment arising from change in non-controlling interest	—	—	—	(204)	(204)	(213)	(417)
Issue of share capital	1	289	—	—	290	—	290
Deferred tax on share-based payments	—	—	—	1,027	1,027	—	1,027
Share-based payments	—	—	—	295	295	—	295
Transactions with owners	1	289	—	(14,008)	(13,718)	(213)	(13,931)
Profit for the year	—	—	—	11,382	11,382	472	11,854
Retirement benefit actuarial loss	—	—	—	(375)	(375)	—	(375)
Foreign exchange differences	—	—	(62)	—	(62)	—	(62)
Total comprehensive income for the year	—	—	(62)	11,007	10,945	472	11,417
At 31 December 2019	311	15,453	2,059	10,048	27,871	821	28,692

Condensed consolidated interim cashflow statement

	Six months to 30 June 2020 £000	Six months to 30 June 2019 £000	Year to 31 December 2019 £000
Cashflows from operating activities			
Profit after tax	**3,756**	5,866	11,854
Adjustments for:			
Financial instruments measured at fair value: hedging contracts	**146**	(12)	(37)
Share-based payments	**162**	108	295
Depreciation of property, plant and equipment	**431**	367	771
Depreciation of right-of-use leased assets	**436**	395	863
Amortisation of intangible assets	**1,360**	1,384	2,739
(Profit)/loss on disposal of property, plant and equipment	**(3)**	(28)	1
Charge on exit from right-of-use leases	**—**	—	39
Interest income	**(13)**	(49)	(101)
Interest expense	**196**	212	397
Retirement benefit obligation net interest cost	**22**	25	48
Interest payable on right-of-use lease liabilities	**85**	45	135
Contributions to defined benefit plans	**—**	—	(236)
Tax recognised in the Statement of Comprehensive Income	**577**	1,051	1,777
Increase in inventories	**(716)**	(1,424)	(1,794)
(Increase)/decrease in trade and other receivables	**(39)**	1,486	1,566
(Decrease)/increase in trade and other payables	**(1,296)**	(937)	763
Cash generated from operations	**5,104**	8,489	19,080
Tax paid	**(749)**	(947)	(2,205)
Net cash from operating activities	**4,355**	7,542	16,875
Cashflows from investing activities			
Paid on acquisition of subsidiaries	**(5,274)**	—	(2,288)
Payment of deferred consideration	**(1,896)**	—	—
Gross cash inherited on acquisition	**969**	—	2,201
Acquisition of subsidiaries, net of cash acquired	**(6,201)**	—	(87)
Purchase of property, plant and equipment	**(675)**	(314)	(1,303)
Proceeds from the sale of property, plant and equipment	**3**	28	22
Interest received	**13**	49	101
Net cash used in investing activities	**(6,860)**	(237)	(1,267)
Cashflows from financing activities			
Proceeds from issue of share capital	**618**	196	290
Finance costs paid	**(200)**	(210)	(393)
Repayments of borrowings	**(1,429)**	(1,440)	(2,868)
Repayments of right-of-use lease liabilities	**(527)**	(408)	(926)
Proceeds from bank loans	**10,274**	—	2,288
Equity dividends paid	**—**	—	(15,126)
Paid on acquisition of non-controlling interest in subsidiary	**(1,071)**	(417)	(417)
Net cash from/(used in) financing activities	**7,665**	(2,279)	(17,152)
Net change in cash and cash equivalents	**5,160**	5,026	(1,544)
Cash and cash equivalents at the start of the period	**14,123**	15,727	15,727
Exchange movements	**139**	27	(60)
Cash and cash equivalents at the end of the period	**19,422**	20,780	14,123

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 2020 and the comparative figures for the six months ended 30 June 2019 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 2019, which have been prepared in accordance with IFRS as adopted by the European Union.

The financial information for the year ended 31 December 2019 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 2019 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 21 September 2020.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group ended the first half of 2020 with adjusted net debt of £6.4 million (equal to 19% of equity) compared to adjusted net debt of £2.0 million at 31 December 2019. This arose through profitable and cash generative trading of the Group's principal operating companies throughout the first half of 2020, offset by the continued execution of the Group's buy and build strategy where we acquired Thermal Hazard Technology Limited for £7.3 million, and £1.0 million was allocated to increasing the Group's shareholding in one of its majority-owned businesses.

The Directors have considered the impact of the COVID-19 pandemic, and a summary of the implications is included in the Chairman's Statement. Our financial position remains robust, with high cash balances and low gearing together with a satisfactory order book. The Directors have also performed reasonably possible stress testing on forecast cashflows, considering potential scenarios from the pandemic and, as a result, consider that the Group is appropriately placed to manage its business risks.

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the Interim Report.

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 2019, 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 Statement of Comprehensive Income includes government grants, which are accounted for in line with IAS 20. Income is recognised in the Statement of Comprehensive Income over the same period as the costs to which the grants relate, and is only recognised once there is reasonable assurance that the Group has complied with the conditions of the grant and that the grant will be received.

Notes to the interim report continued

3. Segmental analysis

For the period ended 30 June 2020	Note	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Revenue		**14,675**	**22,774**	**—**	**37,449**
Operating costs		**(12,274)**	**(17,110)**	**(1,362)**	**(30,746)**
Adjusted operating profit		**2,401**	**5,664**	**(1,362)**	**6,703**
Adjusting items	4				**(2,080)**
Operating profit					**4,623**
Net interest expense					**(290)**
Profit before tax					**4,333**
Income tax charge					**(577)**
Profit for the period					**3,756**

For the period ended 30 June 2019	Note	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Revenue		15,929	24,240	—	40,169
Operating costs		(12,702)	(17,566)	(1,271)	(31,539)
Adjusted operating profit		3,227	6,674	(1,271)	8,630
Adjusting items	4				(1,480)
Operating profit					7,150
Net interest expense					(233)
Profit before tax					6,917
Income tax charge					(1,051)
Profit for the period					5,866

For the year ended 31 December 2019	Note	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Revenue		34,819	47,680	—	82,499
Operating costs		(27,169)	(35,569)	(2,377)	(65,115)
Adjusted operating profit		7,650	12,111	(2,377)	17,384
Adjusting items	4				(3,274)
Operating profit					14,110
Net interest expense					(479)
Profit before tax					13,631
Income tax charge					(1,777)
Profit for the year					11,854

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

3. Segmental analysis continued

Segment assets and liabilities

At 30 June 2020	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Assets	24,155	30,222	30,054	84,431
Liabilities	(10,970)	(11,216)	(30,684)	(52,870)
Net assets	13,185	19,006	(630)	31,561
Capital expenditure	121	544	10	675
Depreciation of property, plant and equipment	113	295	23	431
Depreciation of right-of-use leased assets	203	205	28	436
Amortisation	392	968	—	1,360

At 30 June 2019	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Assets	16,694	26,790	28,316	71,800
Liabilities	(8,077)	(13,366)	(13,632)	(35,075)
Net assets	8,617	13,424	14,684	36,725
Capital expenditure	78	224	12	314
Depreciation of property, plant and equipment	90	262	15	367
Depreciation of right-of-use leased assets	186	182	27	395
Amortisation	651	733	—	1,384

At 31 December 2019	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Assets	20,392	30,351	19,868	70,611
Liabilities	(10,357)	(17,027)	(14,535)	(41,919)
Net assets	10,035	13,324	5,333	28,692
Capital expenditure	411	836	56	1,303
Depreciation of property, plant and equipment	189	552	30	771
Depreciation of right-of-use leased assets	410	399	54	863
Amortisation	1,209	1,530	—	2,739

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 2020 £000	Six months to 30 June 2019 £000	Year to 31 December 2019 £000
UK (domicile)	5,153	4,539	9,690
Rest of Europe	10,847	11,780	23,418
North America	9,241	13,294	24,459
China/Hong Kong	5,286	3,648	9,487
Rest of the World	6,922	6,908	15,445
Revenue	37,449	40,169	82,499

Notes to the interim report continued

4. Adjusting items

	Six months to 30 June 2020 £000	Six months to 30 June 2019 £000	Year to 31 December 2019 £000
Amortisation of intangible assets	**1,360**	1,384	2,739
Financial instruments measured at fair value: hedging contracts	**146**	(12)	(37)
Share-based payments	**162**	108	295
Employment taxes arising from share-based payments	**28**	—	—
Acquisition costs	**384**	—	277
Total adjusting items within operating profit	**2,080**	1,480	3,274
Retirement benefits obligation net interest cost	**22**	25	48
Total adjusting items	**2,102**	1,505	3,322
Taxation	**(363)**	(265)	(707)
Total adjusting items net of tax	**1,739**	1,240	2,615
Attributable to:			
Owners of the parent	**1,654**	1,158	2,446
Non-controlling interests	**85**	82	169
	1,739	1,240	2,615

5. Earnings per share

	Note	Six months to 30 June 2020 £000	Six months to 30 June 2019 £000	Year to 31 December 2019 £000
Profit for the period attributable to owners of the parent				
Adjusted profit		**5,268**	6,750	13,828
Adjusting items	4	**(1,654)**	(1,158)	(2,446)
Profit for the period		**3,614**	5,592	11,382
		Pence	Pence	Pence
Earnings per share – adjusted				
Basic		**84.2**	108.7	222.5
Diluted		**82.5**	107.0	218.4
Earnings per share – total				
Basic		**57.8**	90.1	183.1
Diluted		**56.6**	88.6	179.8
		Number	Number	Number
Issued Ordinary shares at start of the period	7	**6,226,291**	6,196,678	6,196,678
Movement in Ordinary shares during the period	7	**48,650**	24,163	29,613
Issued Ordinary shares at end of the period	7	**6,274,941**	6,220,841	6,226,291
Weighted average number of shares in issue		**6,254,512**	6,207,925	6,215,817
Dilutive effect of share options		**128,861**	101,158	115,517
Weighted average shares in issue on a diluted basis		**6,383,373**	6,309,083	6,331,334

5. Earnings per share continued

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 2020 £000	Acquisition £000	Amortisation £000	**Carrying amount at 30 June 2020 £000**
Acquired distribution agreements	400	—	(143)	**257**
Acquired technology	1,927	1,400	(474)	**2,853**
Acquired sales order backlog	119	400	(219)	**300**
Acquired brand and domain names	1,508	750	(372)	**1,886**
Acquired customer relationships	504	1,450	(152)	**1,802**
Total	4,458	4,000	(1,360)	**7,098**

	Carrying amount at 1 January 2019 £000	Acquisition £000	Amortisation £000	Carrying amount at 30 June 2019 £000
Acquired distribution agreements	310	—	(110)	200
Acquired technology	2,458	—	(552)	1,906
Acquired brand and domain names	2,235	—	(512)	1,723
Acquired customer relationships	370	—	(210)	160
Total	5,373	—	(1,384)	3,989

	Carrying amount at 1 January 2019 £000	Acquisition £000	Amortisation £000	Carrying amount at 31 December 2019 £000
Acquired distribution agreements	310	301	(211)	400
Acquired technology	2,458	583	(1,114)	1,927
Acquired sales order backlog	—	159	(40)	119
Acquired brand and domain names	2,235	302	(1,029)	1,508
Acquired customer relationships	370	479	(345)	504
Total	5,373	1,824	(2,739)	4,458

Notes to the interim report continued

7. Share capital

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

Ordinary shares of 5p each	2020 £000	2019 £000
Allotted, called up and fully paid – Ordinary shares of 5p each		
1 January: 6,226,291 shares (2019: 6,196,678 shares)	**311**	310
Exercise of share options: 48,650 shares (2019: 24,163 shares)	**3**	1
30 June: 6,274,941 shares (2019: 6,220,841 shares)	**314**	311

Allotments of Ordinary shares in the first six months of 2020 were made to satisfy the exercise of 48,650 share options in aggregate on 11 occasions during the period when the share price was within the range of 4300p to 5680p (2019: exercise of 24,163 share options when the share price was within the range of 2660p to 3175p).

8. Changes in net debt

Changes in net debt for the six months ended 30 June 2020 were as follows:

	1 January 2020 £000	Cashflow £000	Non-cash items £000	30 June 2020 £000
Cash at bank and in hand	14,123	5,160	139	**19,422**
Bank debt	(14,260)	(8,841)	—	**(23,101)**
Net debt including senior debt	(137)	(3,681)	139	**(3,679)**
Subordinated debt to non-controlling shareholders	(190)	—	—	**(190)**
Total net debt	(327)	(3,681)	139	**(3,869)**
Subordinated debt to non-controlling shareholders	190	—	—	**190**
Accrued deferred consideration	(1,896)	(873)	—	**(2,769)**
Adjusted net debt	(2,033)	(4,554)	139	**(6,448)**

Non-cash items primarily represent foreign exchange differences on foreign currency bank balances.

The movement in borrowings over the period was as follows:

	2020 £000	2019 £000
At 1 January	**14,260**	14,836
Proceeds from drawdown of loans	**10,274**	—
Repayment of loans	**(1,429)**	(1,440)
Interest payable	**196**	212
Interest paid	**(200)**	(210)
At 30 June	**23,101**	13,398
Subordinated debt to non-controlling shareholders	**190**	190
Total borrowings at 30 June	**23,291**	13,588

	2020 £000	2019 £000
Current	**3,047**	3,047
Non-current	**20,244**	10,541
Total borrowings at 30 June	**23,291**	13,588

9. Acquisitions

On 29 May 2020 the Company acquired 100% of the issued share capital of Heath Scientific Company Limited, together with its wholly owned subsidiaries Thermal Hazard Technology Limited and THT Inc. ("THT"). THT is based in Bletchley, Buckinghamshire and specialises in the design and manufacture of scientific instruments focusing on calorimeters that are principally used to quantify thermal properties of lithium batteries as well as other reactive chemicals and materials.

The initial purchase price of THT, paid in cash at completion, amounted to £5.3 million. Additionally, an earn-out was payable based on THT's adjusted EBIT in the year to 30 April 2020, capped at £2.0 million, together with an amount to reflect any excess cash and working capital over and above the ongoing requirements of the business. The earn-out was achieved in full and the excess cash was covered by cash inherited at the completion date. Both amounts were paid in August 2020.

The summary provisional fair value of the cost of this acquisition includes the components stated below:

	£000
Initial cash consideration	5,274
Earn-out*	2,026
	7,300
Gross cash inherited on acquisition	969
Cash retained in the business	(226)
Payment in respect of surplus working capital*	743
Total consideration	8,043
Acquisition-related transaction costs charged to the Statement of Comprehensive Income	384

* Paid in August 2020.

The acquisition of THT was financed via drawdown from the Group's £35 million acquisition facility from Lloyds Bank Corporate Markets.

The summary provisional fair values recognised for the assets and liabilities acquired are as follows:

	Book value £000	Accounting policy alignments £000	Fair value adjustments £000	Fair value £000
Intangible assets	—	—	4,000	4,000
Property, plant and equipment	263	(39)	—	224
Right-of-use leased assets	—	256	—	256
Deferred tax assets	—	—	121	121
Inventories	992	—	(211)	781
Trade and other receivables	1,126	—	(313)	813
Cash and cash equivalents	969	—	—	969
Total assets	3,350	217	3,597	7,164
Deferred tax liabilities	(27)	—	(760)	(787)
Trade payables	(788)	—	(111)	(899)
Right-of-use lease liabilities	—	(267)	—	(267)
Current tax liability	(99)	—	—	(99)
Total liabilities	(914)	(267)	(871)	(2,052)
Net identifiable assets and liabilities	2,436	(50)	2,726	5,112
Total consideration				8,043
Goodwill recognised				2,931

Notes to the interim report continued

9. Acquisitions continued

The intangible assets recognised reflect recognition of acquired customer relationships, the value of the acquired future committed order book, acquired technology together with brand and domain names. A significant amount of the value of the acquired business is attributable to its workforce and sales knowhow and contributes to the goodwill recognised upon acquisition. This goodwill has been allocated to the Materials Sciences segment.

The deferred tax liabilities recognised represent the tax effect which will result from the amortisation of the intangible assets, estimated using the tax rate substantively enacted at the balance sheet date and the fair value of the assets. Additional fair value adjustments include stock, doubtful debt, commission and warranty provisions together with any related deferred tax. Adjustments to property, plant and equipment and right-of-use assets and liabilities were made to align with Group accounting policies.

This acquisition resulted in a profit after tax (before adjusting items) attributable to owners of the parent company of £54,000 in the period post-acquisition. After amortisation of intangible assets, the contribution to owners of the parent company's results amounted to a loss of £89,000 after tax.

If the acquisition had completed on 1 January 2020, based on pro-forma results, revenue for the Group for the period ended 30 June 2020 would have increased by a further £2,100,000 and profit after tax (before adjusting items) attributable to the owners of the parent company would have increased by a further £360,000 after allowing for interest costs. Amortisation of intangible assets on a pro-forma basis from 1 January 2020 to the date of acquisition would have been £550,000.

Increased shareholding in PE.fiberoptics Limited

On 31 March 2020, Judges purchased the remaining 25.5% minority shareholding held in PE.fiberoptics Limited ("PFO") for a cash consideration of £1.07 million. As a result, Judges increased its ownership of the shares in PFO from 74.5% to 100%. The transaction was financed from Judges' existing cash resources.

As this acquisition results in the entity becoming a wholly owned subsidiary, the purchase was accounted for by reducing the non-controlling interest as at the date of the acquisition to £nil, and the remaining balance recorded through equity reserves.

10. Defined benefit scheme

The Group's defined benefit pension scheme liability has increased to £3.1 million compared to £2.1 million at 31 December 2019, due to a decrease of 0.5% in the discount rate to 1.6% from 2.1% at 31 December 2019, and an increase of 0.4% in the CPI inflation rate to 2.5% from 2.1% at 31 December 2019.

11. Dividends

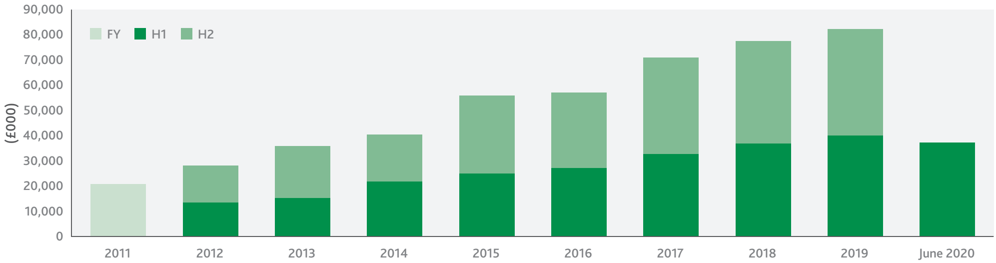
During the period, the Company paid no dividends (period to 30 June 2019: £nil).

The Company paid a final dividend of 35.0p per share totalling £2.2 million to shareholders on 3 July 2020 relating to the financial year ended 31 December 2019 (28.0p per share totalling £1.7 million relating to the financial year ended 31 December 2018).

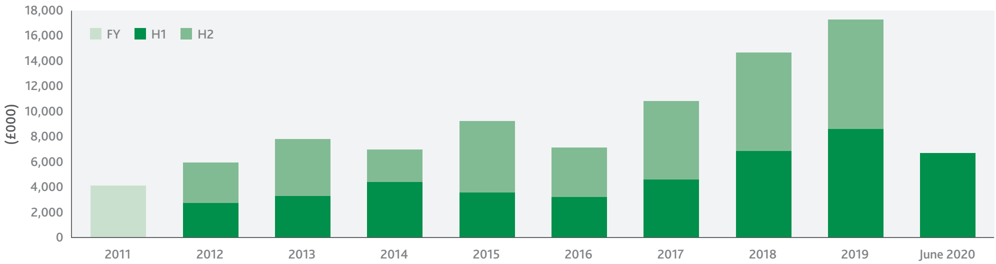
The Company will pay an interim dividend for 2020 of 16.5p per share (2019: interim dividend of 15.0p per share) on 6 November 2020 to shareholders on the register on 9 October 2020. The shares will go ex-dividend on 8 October 2020.

Financial history

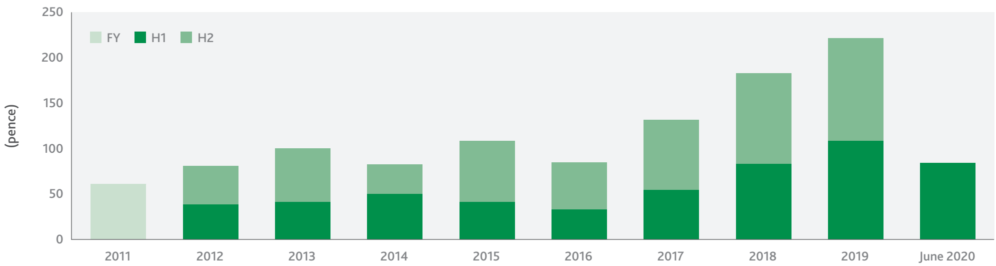
Revenue – ten years



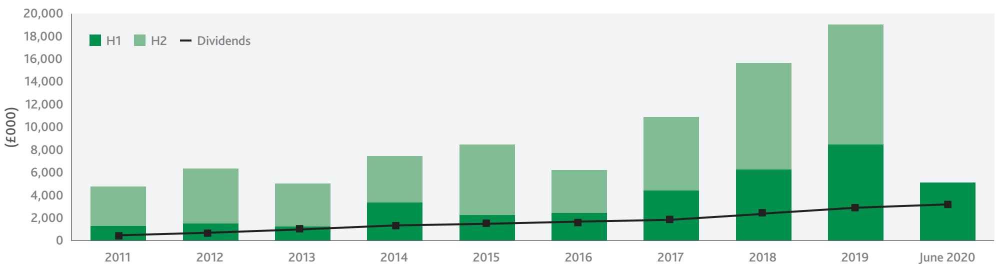
Adjusted operating profit – ten years



Earnings per share adjusted undiluted – ten years



Cash generation from operations and dividends



Dividends exclude the special dividend paid in December 2019.

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