

Interim Report 30 June 2022



Significant recovery

Record performance and largest acquisition to date.

Who we are

Judges Scientific plc is an AIM-quoted group focused on acquiring and developing companies within the scientific instrument sector. 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 worldwide markets.

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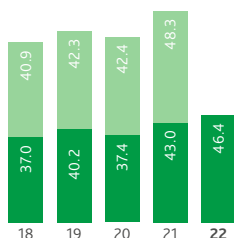
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www.judges.uk.com

Cover image: Geotek BoxScan, a modular field-deployable multi-sensor core scanner for geological cores, chips, soils and pulps.

Highlights

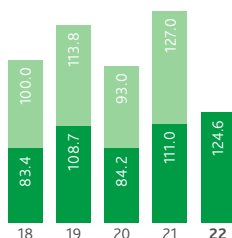


■ H1
■ H2

+8.0%

Revenue (£m)

£46.4 million

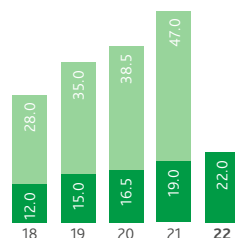


■ H1
■ H2

+12.3%

Adjusted* basic earnings per share (p)

124.6p



■ Interim dividend
■ Final dividend

+15.8%

Interim dividend*** (p)

22.0p

KEY FINANCIALS

- Revenue increased 8.0% to £46.4 million (H1 2021: £43.0 million);
- Adjusted* pre-tax profit of £9.6 million (H1 2021: £8.5 million);
 - Statutory pre-tax profit of £3.9 million (H1 2021: £6.7 million);
- Adjusted* basic earnings per share of 124.6p (H1 2021: 111.0p);
 - Statutory basic earnings per share of 44.4p (H1 2021: 88.4p);
- Interim dividend of 22.0p (H1 2021: 19.0p), an increase of 15.8%;
- Cash generated from operations of £8.2 million (H1 2021: £8.0 million);
- Adjusted* net debt (excl. IFRS 16) of £54.9 million as at 30 June 2022 (31 December 2021: £1.4 million net cash);
 - Statutory net debt (excl. IFRS 16) of £22.8 million as at 30 June 2022 (31 December 2021: £1.4 million net cash);
 - Statutory net debt (incl. IFRS 16) of £27.2 million as at 30 June 2022 (31 December 2021: £2.9 million);
- Cash balances increased to £36.4 million as at 30 June 2022 (31 December 2021: £18.4 million).

OTHER FINANCIALS

- Organic** revenue increased 7% against H1 2021;
- Organic** order intake up 4% compared with H1 2021;
- Organic** order book at 21.3 weeks (H1 2021: 17.6 weeks).

STRATEGIC HIGHLIGHTS

- Completed acquisition of Geotek on 23 May 2022 for a consideration of up to £80 million. Largest acquisition to date and expected to significantly enhance full year earnings;
- New £100 million four-year bank facility providing greater acquisition financing capability to support the Group's buy and build strategy;
- Organic business continues to recover from the impact of Covid-19 but the rate of recovery has been affected by increasing supply chain issues during the period.

OUTLOOK

- The external environment is still challenging, with variations between local markets and between the various scientific disciplines we serve;
- Resurgence of inflation, mitigated by Sterling weakness;
- Organic orders remain positive and to the end of August are 3% up compared to the same period in 2021;
- Organic order book at the end of August was 21 weeks;
- Strong second half anticipated from Geotek and the Board now expects that the full earn-out will be payable;
- The Board now expects that the Group will be significantly ahead of existing market expectations for the current 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 includes acquisition-related cash payables which had yet to be settled at the balance sheet date and excludes IFRS 16 debt.

** Organic denotes Group performance excluding the businesses which were not part of the Group on 1 January 2021.

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

Chairman's statement



SUMMARY

- Record Organic order intake, revenues and profits, and completion of largest acquisition to date
- The external environment is still challenging, with variations between local markets and between the various scientific disciplines we serve
- Our sizeable order book allied with the enduring long-term drivers of our business allow us to remain confident in the Group's resilience and adaptability

"During the period the Group generated record Organic order intake, revenues and profits in spite of increasing supply chain challenges, whilst still continuing to recover from the challenges created by Covid-19. At the end of May, the Group completed its largest acquisition to date, Geotek. The resilience of the Group's business model alongside the hard work by all our colleagues have once again been evident throughout the period and are reflected in the results."

The Group's businesses continued their recovery from the pandemic during the first half of 2022 and generated record Organic order intake, Organic revenues, adjusted profits and adjusted earnings per share. Travel restrictions were gradually eased in most regions, with the exception of China, which saw the return of severe lockdowns. The easing enabled us progressively to resume visits to our customers, proceed with installations and attend conferences and trade shows. Nevertheless, this performance was still delivered as supply chain issues deteriorated during the period, probably aggravated by the Chinese lockdowns and the war in Ukraine. "Business as usual" in comparison to pre-pandemic has not returned yet.

The Group's ability to deliver this record performance would not have been possible without our colleagues, all of whom have yet again worked very hard in a challenging environment. I would like to thank them for their continued dedication and commitment.

On 23 May 2022, the Group completed its largest ever acquisition with the purchase of Geotek Holding Limited and Geotek Coring Limited (together "Geotek") for a consideration of up to £80 million; references to "Organic" information in this update exclude any contribution from Geotek. Geotek's impact on the Group's full year results is expected to be significant but, in view of the timing of the transaction, the impact on the first half is modest.

Order intake

Order intake across the Group benefited from the gradual return of international travel but was dampened by the resurgence of Covid-19 in China.

Organic order intake was up 4% after a 25% gain in H1 2021; this shows 8% progress compared to H1 2019 although this cannot be considered a full recovery to the pre-Covid growth trajectory. The Group saw growth in North America, up 15% (after 41% growth in H1 2021), and the Rest of the World, up 13% (after 8% improvement in H1 2021). The Rest of Europe was flat (after 34% growth in H1 last year) reflecting erratic performances across the region. China/Hong Kong, which continued to be affected by strict lockdowns over the period, receded 5% (after 2% growth in H1 2021). The UK, which had progressed 26% in H1 2021, was down 9%. Order intake still varied considerably from business to business, although less so than in H1 2021.

Revenues

Organic revenues were driven by the large order book available at the start of the year/throughout the period and by the modest H1 growth in intake, hindered by increasing supply chain difficulties and, to a lesser extent, by Covid-related absenteeism and recruitment challenges.

Group revenues for the period increased to £46.4 million (H1 2021: £43.0 million) including a 7% increase in Organic revenues. Revenues from China/Hong Kong were very strong (up 30%) in spite of the lockdowns; North America showed 21% growth and the Rest of the World 15%. The UK was down 21% and the Rest of Europe was stable. The largest absolute changes were the US (up £1.9 million), the UK (down £1.5 million), China/Hong Kong (up £1.4 million) and the Czech Republic (up £1.2 million). The best revenue performances were achieved in the areas which were weak in H1 2021 and vice versa, illustrating the erratic impact of Covid-19 and the ability, in our sector, to catch up over time.

The Organic order book remained robust, partially due to the operating difficulties, and reached a mid-year record of 21.3 weeks (17.6 weeks at 30 June 2021 and 23.0 weeks at 1 January 2022).

Profits

Adjusted operating profit improved 15% to £10.1 million (H1 2021: £8.8 million) and adjusted pre-tax profit progressed 13% to £9.6 million (H1 2021: £8.5 million).

The main driver of improved profitability was the increase in Organic revenue reflecting the operational gearing within the Group: the EBITA contribution of the Organic businesses progressed 14% versus H1 2021 in spite of a gradual increase in travel spending.

Organic Return on Total Invested Capital ("ROTIC") recovered to 29.6% for the trailing 12 months ended 30 June 2022 (30 June 2021: 25.0%). However, once Geotek is included, a sharp reduction of ROTIC must be expected.

Adjusted basic earnings per share grew 12% to 124.6p (H1 2020: 111.0p) and Adjusted diluted earnings per share progressed similarly to 123.0p from 109.5p.

The Directors continue to publish adjusted figures alongside the statutory results, 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 £5.7 million (H1 2021: £1.7 million) consist primarily of a £2.3 million charge for amortisation of acquired intangible assets arising through acquisition and £2.9 million of Geotek acquisition-related costs.

These adjusting items reduce profit before tax from £9.6 million to £3.9 million (H1 2021: £6.7 million) and earnings per share to 44.4p basic and 43.8p diluted (H1 2021: 88.4p basic and 87.1p diluted).

Corporate activity

On 23 May 2022, the Group completed the largest acquisition in its history. Geotek was acquired for £45 million plus an earn-out capped at £35 million plus excess cash at completion. The earn-out is based on the EBIT generated by Geotek in the calendar year 2022 and is payable to the extent such EBIT exceeds £6.4 million at the rate of 7 times such excess, until EBIT reaches £11.4 million, payable 50% in cash and 50% in new Judges shares. Geotek is a world leader in instruments conducting non-destructive testing on geological cores and in providing related services. Geotek's contribution to these interim results is modest but the acquisition is expected to be strongly earnings enhancing in the full year and the Board now expects that the full earn-out will be payable, around March 2023.

The acquisition was financed by a new £100 million club facility granted by Lloyds Banking Group plc, Bank of Ireland and Santander UK plc which replaced the previous £60 million facility which was solely with Lloyds. The new facility, which is coterminous with the previous facility and has a term of four years until 25 May 2026, consists of a £25 million straight-line amortising term loan, a £55 million committed revolving credit facility, repayable in a bullet at the end of the term, and a £20 million uncommitted accordion. Further details are included in note 10.

On 27 June 2022, the Group purchased the remaining 12% of the outstanding shares in Bordeaux Acquisition Limited for a consideration of £2.1 million including excess cash, bringing its shareholding to 100%. £2 million of the consideration was settled in new Judges shares based on the prevailing share price at the date of the transaction and the balance paid in cash. Bordeaux Acquisition Limited owns 100% of Deben UK Limited and Oxford Cryosystems Limited and holds significant net cash balances. This transaction is expected to be earnings enhancing in the second half.

Cashflow and net debt

The Group once again saw good cash conversion: cash generated from operations grew to £8.2 million (H1 2021: £8.0 million), representing 81% of adjusted operating profit (H1 2021: 91%). Cash generation was still affected by increased working capital requirements from stockpiling of components to counteract supply channel difficulties and by continued payment delays arising from our inability to travel and perform installations in certain regions, particularly China.

Chairman's statement continued

Cashflow and net debt continued

The interim balance sheet includes cash balances of £36.4 million and adjusted net debt of £54.9 million (inclusive of the cash element of the expected Geotek earn-out), from £1.4 million net cash at the beginning of 2022. The overwhelming majority of investment expenditure in H1 was related to the Geotek acquisition but the Group also spent £4.6 million on new industrial properties and related improvements for our businesses. Ownership of factories improves our flexibility in organising them in accordance with our needs and may prove favourable in an inflationary climate.

Dividend

In accordance with the Company's policy of increasing dividends by no less than 10% per annum, the Board is declaring an interim dividend of 22p (2021: 19p), which will be paid on Friday 4 November 2022 to shareholders on the register on Friday 7 October 2022. The shares will go ex-dividend on Thursday 6 October 2022. The interim dividend is covered 5.7 times by adjusted earnings (2021: 5.5 times).

Outlook

As the world emerges from the Covid-19 engendered pandemic, and subsequently deals with the challenging external environment, our ecosystem is still unstable. Localised lockdowns remain, as well as continuing supply chain and recruitment challenges. The invasion of Ukraine has not only exacerbated some of these issues but also stimulates tensions in other regions of the world. Our scientific communities are global and cosmopolitan, and we thrive in a world at peace where commerce is conducted freely.

The need to pay the bill for Covid-19 is starting to be recognised and inflation and higher interest rates no longer appear so transient. Our Group needs to adapt to this new climate. We have recently increased our indebtedness, but we have fixed the interest rates to protect the Group from the consequences of any inflationary spiral. The market leadership of most of our businesses, their continuous search for innovation and the weakness of Sterling will alleviate the inflationary pressures we will unavoidably encounter.

Whilst the near-term trading environment does remain volatile, our sizeable order book allied with the enduring long-term drivers of our business allow us to remain confident in the Group's resilience and adaptability.

At the end of August the Organic order intake was 3% above the comparable period in 2021 and the Organic order book stood at a robust 21 weeks. The Group's Organic businesses overall are performing in line with management's expectations and, after four months of ownership, the Board expects a strong contribution from Geotek for the second half of the financial year resulting in adjusted earnings per share for the full year being significantly ahead of current market expectations.

The Hon. Alexander Hambro
Chairman

22 September 2022

Condensed consolidated interim statement of comprehensive income

	Note	Adjusted £000	Adjusting items £000	30 June 2022 £000	Adjusted £000	Adjusting items £000	30 June 2021 £000	Year to 31 December 2021 £000
Revenue	3	46,374	—	46,374	42,955	—	42,955	91,289
Operating costs	3,4	(36,277)	(5,212)	(41,489)	(34,147)	(1,698)	(35,845)	(75,670)
Operating profit/(loss)		10,097	(5,212)	4,885	8,808	(1,698)	7,110	15,619
Interest income		1	—	1	1	—	1	2
Interest expense	4	(509)	(489)	(998)	(350)	(27)	(377)	(761)
Profit/(loss) before tax		9,589	(5,701)	3,888	8,459	(1,725)	6,734	14,860
Taxation (charge)/credit		(1,509)	592	(917)	(1,318)	258	(1,060)	(1,956)
Profit/(loss) for the period		8,080	(5,109)	2,971	7,141	(1,467)	5,674	12,904
Attributable to:								
Owners of the parent		7,883	(5,074)	2,809	7,001	(1,431)	5,570	12,682
Non-controlling interests		197	(35)	162	140	(36)	104	222
Profit/(loss) for the period		8,080	(5,109)	2,971	7,141	(1,467)	5,674	12,904
Other comprehensive income								
Items that will not be reclassified subsequently to profit or loss								
Retirement benefits actuarial gain				1,374			1,196	1,445
Deferred tax on retirement benefits actuarial gain				(344)			(258)	(206)
Items that may be reclassified subsequently to profit or loss								
Exchange gain/(loss) on translation of foreign subsidiaries				211			(21)	22
Other comprehensive income for the period, net of tax				1,241			917	1,261
Total comprehensive income for the period				4,212			6,591	14,165
Attributable to:								
Owners of the parent				4,050			6,487	13,943
Non-controlling interests				162			104	222
		Pence		Pence	Pence		Pence	Pence
Earnings per share – adjusted								
Basic	5	124.6			111.0			238.1
Diluted	5	123.0			109.5			234.9
Earnings per share – total								
Basic	5			44.4			88.4	201.0
Diluted	5			43.8			87.1	198.2

Condensed consolidated interim balance sheet

	Note	30 June 2022 £000	30 June 2021 £000	31 December 2021 £000
ASSETS				
Non-current assets				
Goodwill	6	50,452	18,713	18,713
Other intangible assets	7	49,655	5,963	5,056
Property, plant and equipment		15,315	6,702	8,254
Right-of-use leased assets		4,299	4,646	4,186
Deferred tax assets		4,131	1,899	3,081
		123,852	37,923	39,290
Current assets				
Inventories		21,936	13,175	14,133
Trade and other receivables		20,116	16,312	17,146
Cash and cash equivalents		36,386	17,612	18,408
		78,438	47,099	49,687
Total assets		202,290	85,022	88,977
LIABILITIES				
Current liabilities				
Trade and other payables		(28,439)	(16,774)	(19,373)
Payables relating to acquisitions	9	(48,204)	—	—
Borrowings	11	(6,679)	(4,657)	(4,657)
Right-of-use lease liabilities		(1,037)	(938)	(887)
Current tax liabilities		(2,016)	(2,216)	(1,726)
		(86,375)	(24,585)	(26,643)
Non-current liabilities				
Borrowings	11	(52,518)	(14,679)	(12,351)
Right-of-use lease liabilities		(3,395)	(3,836)	(3,420)
Deferred tax liabilities		(12,399)	(1,767)	(1,845)
Retirement benefit obligations	12	35	(1,962)	(1,324)
		(68,277)	(22,244)	(18,940)
Total liabilities		(154,652)	(46,829)	(45,583)
Net assets		47,638	38,193	43,394
EQUITY				
Share capital	8	318	316	316
Share premium		18,954	16,562	16,667
Other reserves		2,210	1,903	1,999
Retained earnings		26,112	18,912	23,794
Equity attributable to owners of the parent		47,594	37,693	42,776
Non-controlling interests		44	500	618
Total equity		47,638	38,193	43,394

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 2022	316	16,667	1,999	23,794	42,776	618	43,394
Change in non-controlling interest	—	—	—	(1,366)	(1,366)	(736)	(2,102)
Issue of share capital	2	2,287	—	—	2,289	—	2,289
Purchase of own shares for Company reward scheme	—	—	—	(85)	(85)	—	(85)
Deferred tax on share-based payments	—	—	—	(404)	(404)	—	(404)
Share-based payments	—	—	—	334	334	—	334
Transactions with owners	2	2,287	—	(1,521)	768	(736)	32
Profit for the period	—	—	—	2,809	2,809	162	2,971
Retirement benefit actuarial gain	—	—	—	1,030	1,030	—	1,030
Foreign exchange differences	—	—	211	—	211	—	211
Total comprehensive income for the period	—	—	211	3,839	4,050	162	4,212
At 30 June 2022	318	18,954	2,210	26,112	47,594	44	47,638
At 1 January 2021	315	16,429	1,977	13,469	32,190	858	33,048
Change in non-controlling interest	—	—	—	(1,371)	(1,371)	(462)	(1,833)
Issue of share capital	1	133	—	—	134	—	134
Purchase of own shares for Company reward scheme	—	—	(53)	—	(53)	—	(53)
Share-based payments	—	—	—	306	306	—	306
Transactions with owners	1	133	(53)	(1,065)	(984)	(462)	(1,446)
Profit for the period	—	—	—	5,570	5,570	104	5,674
Retirement benefit actuarial gain	—	—	—	938	938	—	938
Foreign exchange differences	—	—	(21)	—	(21)	—	(21)
Total comprehensive income for the period	—	—	(21)	6,508	6,487	104	6,591
At 30 June 2021	316	16,562	1,903	18,912	37,693	500	38,193
At 1 January 2021	315	16,429	1,977	13,469	32,190	858	33,048
Dividends	—	—	—	(3,630)	(3,630)	—	(3,630)
Change in non-controlling interest	—	—	—	(1,371)	(1,371)	(462)	(1,833)
Issue of share capital	1	238	—	—	239	—	239
Purchase of own shares for Company reward scheme	—	—	—	(53)	(53)	—	(53)
Deferred tax on share-based payments	—	—	—	823	823	—	823
Share-based payments	—	—	—	635	635	—	635
Transactions with owners	1	238	—	(3,596)	(3,357)	(462)	(3,819)
Profit for the year	—	—	—	12,682	12,682	222	12,904
Retirement benefit actuarial gain	—	—	—	1,239	1,239	—	1,239
Foreign exchange differences	—	—	22	—	22	—	22
Total comprehensive income for the year	—	—	22	13,921	13,943	222	14,165
At 31 December 2021	316	16,667	1,999	23,794	42,776	618	43,394

Condensed consolidated interim cashflow statement

	Six months to 30 June 2022 £000	Six months to 30 June 2021 £000	Year to 31 December 2021 £000
Cashflows from operating activities			
Profit after tax	2,971	5,674	12,904
Adjustments for:			
Financial instruments measured at fair value: hedging contracts	(441)	(34)	(190)
Share-based payments	334	306	635
Depreciation of property, plant and equipment	537	512	1,039
Depreciation of right-of-use leased assets	523	510	1,066
Amortisation of acquired intangible assets	2,337	1,355	2,638
Amortisation of internally generated intangible assets	42	—	11
Profit on disposal of property, plant and equipment	(22)	(29)	(37)
Interest income	(1)	(1)	(2)
Interest expense	415	245	516
Interest payable on right-of-use lease liabilities	94	105	197
Unwinding of discount on fair value of deferred consideration	474	—	—
Retirement benefit obligation net interest cost	15	27	48
Contributions to defined benefit plans	—	(164)	(574)
Tax recognised in the Consolidated Statement of Comprehensive Income	917	1,060	1,956
Increase in inventories	(3,714)	(590)	(1,548)
Decrease/(increase) in trade and other receivables	163	(1,972)	(2,806)
Increase in trade and other payables	3,544	983	3,726
Cash generated from operations	8,188	7,987	19,579
Tax paid	(707)	(565)	(2,180)
Net cash from operating activities	7,481	7,422	17,399
Cashflows from investing activities			
Paid on acquisition of subsidiaries	(45,000)	—	—
Gross cash inherited on acquisition	19,606	—	—
Acquisition of subsidiaries, net of cash acquired	(25,394)	—	—
Purchase of property, plant and equipment	(5,086)	(544)	(2,652)
Capitalised development costs	(528)	(409)	(796)
Proceeds on disposal of property, plant and equipment	38	36	74
Interest received	1	1	2
Net cash used in investing activities	(30,969)	(916)	(3,372)
Cashflows from financing activities			
Proceeds from issue of share capital	289	134	239
Purchase of own shares for Company reward scheme	(85)	(53)	(53)
Finance costs paid	(415)	(245)	(516)
Repayments of borrowings*	(2,941)	(1,879)	(4,207)
Repayments of right-of-use lease liabilities	(601)	(520)	(1,164)
Proceeds from bank loans*	45,130	—	—
Equity dividends paid	—	—	(3,630)
Paid on acquisition of non-controlling interest in subsidiary	(102)	(1,833)	(1,833)
Net cash from/(used in) financing activities	41,275	(4,396)	(11,164)
Net change in cash and cash equivalents	17,787	2,110	2,863
Cash and cash equivalents at the start of the period	18,408	15,523	15,523
Exchange movements	191	(21)	22
Cash and cash equivalents at the end of the period	36,386	17,612	18,408

* On 23 May 2022, £15.2 million of outstanding loans were repaid and £60.3 million was simultaneously reborrowed as the Group renewed its banking facilities (see notes 10 and 11). On 25 May 2021, £19.0 million of outstanding loans were repaid and simultaneously reborrowed as the Group renewed its banking facilities.

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 recent acquisition of Geotek has been included in the Material Sciences segment.

The financial information set out in this Interim Report for the six months ended 30 June 2022 and the comparative figures for the six months ended 30 June 2021 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 2021, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS).

The financial information for the year ended 31 December 2021 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 2021 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 22 September 2022.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group ended the first half of 2022 with adjusted net debt of £54.9 million compared to adjusted net cash of £1.4 million at 31 December 2021. The Group refinanced its borrowing facilities in May 2022 for a four-year term providing the Group with certainty over long-term liquidity; as part of the financing, the Group increased borrowings by £45.1 million, in order to finance the acquisition of Geotek, and there are additional cash liabilities in respect of the acquisition of £32.1 million (see notes 9 to 11). Aside from the increase in borrowing and amounts payable in respect of the acquisition, the Group's cash position improved in the period as a result of consistent cash generation arising from strong performance of the Group's principal operating companies, supported by growth in Organic order intake and a large forward order book. The improvement in cash is after outlays for paying our fair share of tax (£0.7 million) and ongoing investment into capital expenditure (£5.1 million).

The Directors have considered the ongoing impact of the events in Ukraine and the Covid-19 pandemic. The Group remains in a strong financial position, with high cash balances, high cash generation and a solid future order book enabling it to face the challenge of the continued uncertain global economic environment. The Directors have planned for reasonably foreseeable worsening scenarios including a repetition of the same level of reduction in orders in 2022 as happened in 2020 (at the start of Covid-19), which would not cause any significant challenges to the Group's continued existence.

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore 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 2021, 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.

Notes to the interim report continued

3. Segmental analysis

For the period ended 30 June 2022	Note	Materials Sciences £000	Vacuum £000	Head office £000	Total £000
Revenue		21,862	24,512	—	46,374
Operating costs		(17,206)	(17,545)	(1,526)	(36,277)
Adjusted operating profit		4,656	6,967	(1,526)	10,097
Adjusting items	4				(5,212)
Operating profit					4,885
Net interest expense					(997)
Profit before tax					3,888
Income tax charge					(917)
Profit for the period					2,971

For the period ended 30 June 2021	Note	Materials Sciences £000	Vacuum £000	Head office £000	Total £000
Revenue		19,019	23,936	—	42,955
Operating costs		(15,926)	(16,908)	(1,313)	(34,147)
Adjusted operating profit		3,093	7,028	(1,313)	8,808
Adjusting items	4				(1,698)
Operating profit					7,110
Net interest expense					(376)
Profit before tax					6,734
Income tax charge					(1,060)
Profit for the period					5,674

For the year ended 31 December 2021	Note	Materials Sciences £000	Vacuum £000	Head office £000	Total £000
Revenue		40,716	50,573	—	91,289
Operating costs		(33,251)	(35,531)	(3,730)	(72,512)
Adjusted operating profit		7,465	15,042	(3,730)	18,777
Adjusting items	4				(3,158)
Operating profit					15,619
Net interest expense					(759)
Profit before tax					14,860
Income tax charge					(2,061)
Profit for the year					12,799

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

3. Segmental analysis continued

Segment assets and liabilities

At 30 June 2022	Materials Sciences £000	Vacuum £000	Head office £000	Total £000
Assets	62,459	37,786	102,045	202,290
Liabilities	(22,105)	(12,951)	(119,596)	(154,652)
Net assets	40,354	24,835	(17,551)	47,638
Capital expenditure	130	4,946	10	5,086
Depreciation of property, plant and equipment	213	293	31	537
Depreciation of right-of-use leased assets	289	205	29	523
Amortisation of acquired intangible assets	1,666	671	—	2,337
Amortisation of internally generated intangible assets	13	29	—	42

At 30 June 2021	Materials Sciences £000	Vacuum £000	Head office £000	Total £000
Assets	25,374	34,492	25,156	85,022
Liabilities	(12,390)	(11,724)	(22,715)	(46,829)
Net assets	12,984	22,768	2,441	38,193
Capital expenditure	198	343	3	544
Depreciation of property, plant and equipment	177	309	26	512
Depreciation of right-of-use leased assets	261	219	30	510
Amortisation of acquired intangible assets	530	825	—	1,355

At 31 December 2021	Materials Sciences £000	Vacuum £000	Head office £000	Total £000
Assets	27,087	35,671	26,219	88,977
Liabilities	(13,423)	(11,873)	(20,287)	(45,583)
Net assets	13,664	23,798	5,932	43,394
Capital expenditure	384	2,253	15	2,652
Depreciation of property, plant and equipment	362	624	53	1,039
Depreciation of right-of-use leased assets	536	474	56	1,066
Amortisation of acquired intangible assets	1,070	1,568	—	2,638
Amortisation of internally generated intangible assets	4	7	—	11

Head office 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 2022 £000	Six months to 30 June 2021 £000	Year to 31 December 2021 £000
UK (domicile)	5,914	7,743	14,776
Rest of Europe	14,515	14,354	29,488
North America	10,219	8,382	20,034
China/Hong Kong	6,155	4,720	11,103
Rest of the World	9,571	7,756	15,888
Revenue	46,374	42,955	91,289

Notes to the interim report continued

4. Adjusting items

	Six months to 30 June 2022 £000	Six months to 30 June 2021 £000	Year to 31 December 2021 £000
Amortisation of acquired intangible assets	2,337	1,355	2,638
Financial instruments measured at fair value: hedging contracts	(441)	(34)	(190)
Share-based payments	334	306	635
Employment taxes arising from share-based payments	60	39	90
Acquisition costs	2,922	32	(15)
Total adjusting items within operating profit	5,212	1,698	3,158
Unwinding of discount on fair value of deferred consideration	474	—	—
Retirement benefits obligation net interest cost	15	27	48
Total adjusting items	5,701	1,725	3,206
Taxation	(592)	(258)	(797)
Total adjusting items net of tax	5,109	1,467	2,409
Attributable to:			
Owners of the parent	5,074	1,431	2,345
Non-controlling interests	35	36	64
	5,109	1,467	2,409

5. Earnings per share

	Note	Six months to 30 June 2022 £000	Six months to 30 June 2021 £000	Year to 31 December 2021 £000
Profit for the period attributable to owners of the parent				
Adjusted profit		7,883	7,001	15,027
Adjusting items	4	(5,074)	(1,431)	(2,345)
Profit for the period		2,809	5,570	12,682
		Pence	Pence	Pence
Earnings per share – adjusted				
Basic		124.6	111.0	238.1
Diluted		123.0	109.5	234.9
Earnings per share – total				
Basic		44.4	88.4	201.0
Diluted		43.8	87.1	198.2

	Note	Number	Number	Number
Issued Ordinary shares at start of the period	7	6,318,415	6,299,163	6,299,163
Movement in Ordinary shares during the period	7	36,002	12,676	19,252
Issued Ordinary shares at end of the period	7	6,354,417	6,311,839	6,318,415
Weighted average number of shares in issue		6,325,433	6,306,177	6,310,608
Dilutive effect of share options		85,251	90,467	87,786
Weighted average shares in issue on a diluted basis		6,410,684	6,396,644	6,398,394

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

5. Earnings per share continued

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 share 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. Goodwill

The following tables show the additions to goodwill:

	Total £000
Carrying amount at 1 January 2022	18,713
Acquisitions (see note 9)	31,739
Carrying amount at 30 June 2022	50,452

	Total £000
Carrying amount at 1 January and 30 June 2021	18,713

	Total £000
Carrying amount at 1 January and 31 December 2021	18,713

7. Other intangible assets

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

	Internally generated development costs £000	Acquired distribution agreements £000	Acquired technology £000	Acquired sales order backlog £000	Acquired brand and domain names £000	Acquired customer relationships £000	Total £000
Carrying amount at 1 January 2022	785	92	2,006	—	918	1,255	5,056
Acquisitions (see note 9)	—	—	22,750	5,400	1,800	16,500	46,450
Additions	528	—	—	—	—	—	528
Amortisation	(42)	(50)	(796)	(300)	(286)	(905)	(2,379)
Carrying amount at 30 June 2022	1,271	42	23,960	5,100	2,432	16,850	49,655

	Internally generated development costs £000	Acquired distribution agreements £000	Acquired technology £000	Acquired sales order backlog £000	Acquired brand and domain names £000	Acquired customer relationships £000	Total £000
Carrying amount at 1 January 2021	—	192	2,970	33	1,566	2,148	6,909
Additions	409	—	—	—	—	—	409
Amortisation	—	(50)	(519)	(33)	(348)	(405)	(1,355)
Carrying amount at 30 June 2021	409	142	2,451	—	1,218	1,743	5,963

Notes to the interim report continued

7. Other intangible assets continued

	Internally generated development costs £000	Acquired distribution agreements £000	Acquired technology £000	Acquired sales order backlog £000	Acquired brand and domain names £000	Acquired customer relationships £000	Total £000
Carrying amount at 1 January 2021	—	192	2,970	33	1,566	2,148	6,909
Additions	796	—	—	—	—	—	796
Amortisation	(11)	(100)	(964)	(33)	(648)	(893)	(2,649)
Carrying amount at 31 December 2021	785	92	2,006	—	918	1,255	5,056

8. Share capital

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

	2022 £000	2021 £000
Ordinary shares of 5p each		
Allotted, called up and fully paid – Ordinary shares of 5p each		
1 January: 6,318,415 shares (2021: 6,299,163 shares)	316	315
Exercise of share options: 3,876 shares (2021: 12,676 shares)	—	1
Issue of shares as settlement of acquisition costs: 2,929 shares (2021: nil shares)	—	—
Issue of shares as consideration for shareholding in subsidiary company: 29,197 shares (2021: nil shares)	2	—
30 June: 6,354,417 shares (2021: 6,311,839 shares)	318	316

Allotments of Ordinary shares in the first six months of 2022 were made to satisfy the exercise of 3,876 share options in aggregate on five occasions during the period when the share price was within the range of 7500p to 8360p (2021: exercise of 12,676 share options when the share price was within the range of 5800p to 6408p).

9. Acquisitions

Acquisition of Geotek Holding Limited and Geotek Coring Limited

On 23 May 2022, Judges Scientific acquired 100% of the entire issued share capital of Geotek Holding Limited and Geotek Coring Limited (together "Geotek" or the "Acquisition"), a world leading developer and manufacturer of instruments used to measure and log various characteristics of geological cores and a supplier of related services.

The purchase price of Geotek consists of:

- The initial consideration, paid in cash at completion, of £45 million.
- Contingent consideration of up to a maximum £35 million ("Earn-out") to be satisfied half in cash and half in new Judges Ordinary shares to be issued at a price of £76.80 per new Ordinary share, Judges' prevailing share price at the time of signing heads of terms with Geotek's vendors.
- The Earn-out starts to become payable on achievement of a minimum adjusted EBIT of £6.4 million for the calendar year 2022 increasing pro rata on a 7:1 ratio until it reaches a cap when an adjusted EBIT of £11.4 million is achieved.
- An additional payment for excess cash (surplus working capital) at completion over and above the ongoing requirements of the business and will be covered by the cash inherited at completion.

9. Acquisitions continued

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

Consideration	£000
Initial cash consideration	45,000
Earn-out	31,706
	76,706
Gross cash inherited on acquisition	19,606
Cash retained in the business	(3,582)
Payment in respect of surplus working capital	16,024
Total consideration	92,730
Acquisition-related transaction costs charged to the Consolidated Statement of Comprehensive Income	2,922

The maximum Earn-out is expected to be paid, however as the amount is likely to fall due around March 2023, it has been discounted to £31.7 million. The payment in respect of surplus working capital is a provision figure and will be agreed and settled in October 2022.

The estimated total fair value of the future liabilities relating to the Geotek acquisition as at 23 May and 30 June 2022 consists of the following:

	23 May 2022 £000	Non-cash item £000	30 June 2022 £000
Payable in respect of surplus working capital	16,024	—	16,024
50% of Earn-out to be satisfied in cash	15,853	237	16,090
Total payable in cash	31,877	237	32,114
50% of Earn-out to be satisfied in new Ordinary shares	15,853	237	16,090
Total payables relating to acquisitions	47,730	474	48,204

The non-cash item is the unwinding of the discount on the Earn-out consideration.

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	—	—	46,450	46,450
Property, plant and equipment	2,546	—	—	2,546
Right-of-use leased assets	—	652	—	652
Deferred tax assets	1,094	480	308	1,882
Current tax recoverable	375	—	—	375
Inventories	5,111	—	(1,022)	4,089
Trade and other receivables	3,161	112	(140)	3,133
Cash and cash equivalents	19,606	—	—	19,606
Total assets	31,893	1,244	45,596	78,733
Deferred tax liabilities	(85)	—	(10,912)	(10,997)
Trade payables	(3,335)	(2,639)	(70)	(6,044)
Right-of-use lease liabilities	—	(652)	—	(652)
Current tax liability	(49)	—	—	(49)
Total liabilities	(3,469)	(3,291)	(10,982)	(17,742)
Net identifiable assets and liabilities	28,424	(2,047)	34,614	60,991
Total consideration				92,730
Goodwill recognised				31,739

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 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 majority of 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. Additional fair value adjustments include stock, doubtful debt and warranty provisions, together with the related deferred tax. Adjustments to recognition of revenue for certain contracts, and recognition of right-of-use assets and liabilities were made to align with Group accounting policies.

Increased shareholding in Bordeaux Acquisition Limited

On 27 June 2022, Judges acquired 12.0% of the shares in Bordeaux Acquisition Limited ("Bordeaux") for a consideration of £2.1 million, increasing its shareholding from 88% to 100%. £2 million of the consideration was settled via the issue of 29,197 new Judges Ordinary shares issued at a price of £68.50 per share, equal to the mid-market price at close of business on Friday 24 June 2022, with the balance paid in cash.

10. Banking arrangements

On 23 May 2022, the Group entered into a new £100 million multi-bank facility ("Facility") with Lloyds Banking Group plc, Santander UK plc and Bank of Ireland (the "Banks") which replaced its existing unilateral banking arrangements with Lloyds Bank, which were for an aggregate amount of £60 million. The initial consideration for the acquisition of Geotek was financed from this Facility.

The Facility is for an aggregate £100 million consisting of a £25 million term loan ("Term Loan"), a committed £55 million revolving credit facility ("RCF") plus a £20 million uncommitted accordion facility, which can be drawn with the agreement of the Banks. The Facility replaced the Group's previous facilities, of which £15.2 million was outstanding at the time of the acquisition of Geotek. The life of this new Facility is coterminous with the previous facility and therefore has a term of four years until 25 May 2026 ("Borrowing Term").

The Term Loan amortises 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 banking covenants have been adjusted from the previous banking arrangements, namely:

- Gearing no greater than 3.0 times adjusted EBITDA (an increase from 2.5 times in the previous arrangement);
- Interest Cover no less than 3 times; and
- Minimum EBITDA covenant within the previous facilities is no longer required.

Interest rates are consistent with the previous facilities, save for an additional rate between 2.5 and 3.0 times gearing.

The existing lending facilities via Bordeaux were unchanged. Subsequent to Judges' purchase of the remaining 12% of Bordeaux (see note 9) on 27 June 2022, Bordeaux repaid in full its outstanding loan of £0.4 million on 28 July 2022.

11. Changes in net (debt)/cash

Changes in net debt for the six months ended 30 June 2022 were as follows:

	1 January 2022 £000	Cashflow £000	Non-cash items £000	30 June 2022 £000
Cash at bank and in hand	18,408	17,787	191	36,386
Bank debt	(17,008)	(42,189)	—	(59,197)
IFRS 16 right-of-use lease liabilities	(4,307)	601	(726)	(4,432)
Statutory net debt (including IFRS 16)	(2,907)	(23,801)	(535)	(27,243)
Less: IFRS 16 right-of-use lease liabilities	4,307	(601)	726	4,432
Statutory net cash/(debt) (excluding IFRS 16)	1,400	(24,402)	191	(22,811)
Accrued acquisition consideration payable in cash (note 9)	—	(31,877)	(237)	(32,114)
Adjusted net cash/(debt)	1,400	(56,279)	(46)	(54,925)

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

The movement in borrowings over the period was as follows:

	2022 £000	2021 £000
At 1 January	17,008	21,215
Net proceeds from drawdown of loans*	45,130	—
Repayment of loans	(2,941)	(1,879)
Interest payable	415	245
Interest paid	(415)	(245)
At 30 June	59,197	19,336

* On 23 May 2022, £15.2 million of outstanding loans were repaid and £60.3 million was simultaneously reborrowed as the Group renewed its banking facilities (see note 10).

	2022 £000	2021 £000
Current	6,679	4,657
Non-current	52,518	14,679
Total borrowings at 30 June	59,197	19,336

12. Defined benefit scheme

The Group's defined benefit pension scheme is a net asset of £0.0 million, compared to a net liability of £1.3 million at 31 December 2021, and £2.0 million at 30 June 2021. The reduction in the liability is primarily due to an increase of 1.9% in the discount rate to 3.8% from 1.9% at 31 December 2021.

13. Dividends

During the period, the Company paid no dividends (period to 30 June 2021: £nil).

The Company paid a final dividend of 47.0p per share totalling £3.0 million to shareholders on 8 July 2022 relating to the financial year ended 31 December 2021.

The Company will pay an interim dividend for 2022 of 22.0p per share (2021: interim dividend of 19.0p per share) on 4 November 2022 to shareholders on the register on 7 October 2022. The shares will go ex-dividend on 6 October 2022.

Notes to the interim report continued

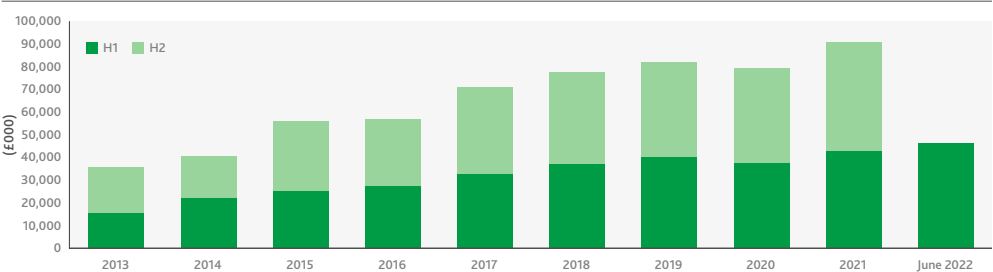
14. Related party transaction

The acquisition of Geotek was originated by Charles Holroyd, a Non-Executive Director of Judges. As with all Judges Scientific Non-Executive Directors, and as disclosed in the Group's Annual Report and Accounts, he is incentivised to originate acquisitions on behalf of the Group. Accordingly, at the time of his appointment to the Board of Judges Scientific in 2018, he entered into an introduction agreement entitling him to the payment of a fee amounting to 1% of the enterprise value of any business that he introduced to the Group and was subsequently acquired by the Group ("Introduction Fee"). Based on the experience of the Group, the level of the Introduction Fee is materially lower than the fees charged by independent brokers.

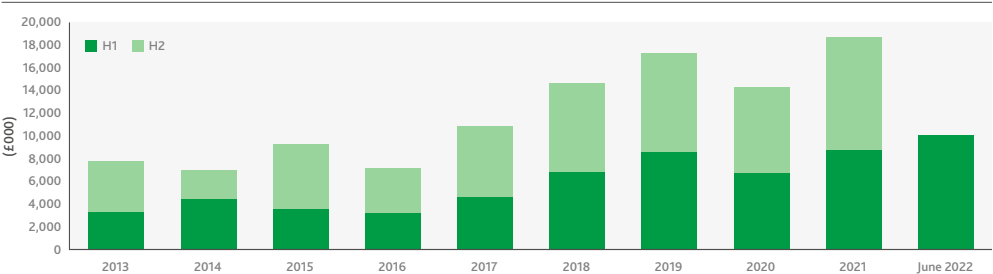
Mr Holroyd was not involved in any part of the decision-making process in relation to the acquisition. The Introduction Fee in relation to Geotek is payable at the same time and in the same proportion as the payments of the initial consideration and the Earn-out to the sellers; £450,000 at completion and up to £350,000 on settlement of the Earn-out in 2023. Mr Holroyd elected to receive one half of his entire fee in new Ordinary shares, valued at £76.80 per Ordinary share, the same level as the share component of the Earn-out, and the other half in cash to enable him to pay the relevant taxation.

Financial history

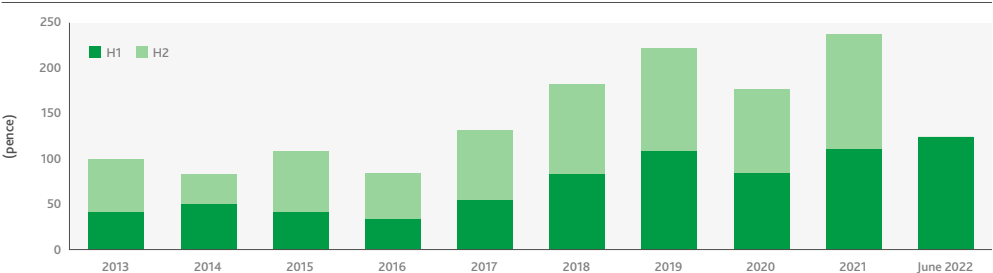
Revenue – ten years



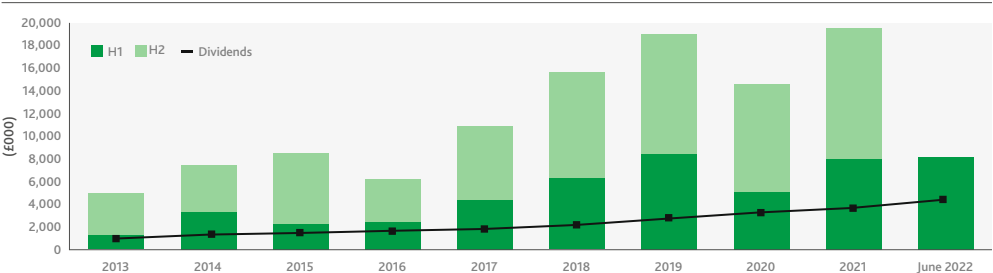
Adjusted operating profit – ten years



Adjusted basic EPS – ten years



Cash generation from operations and dividends



Dividends exclude the special dividend paid in December 2019.

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