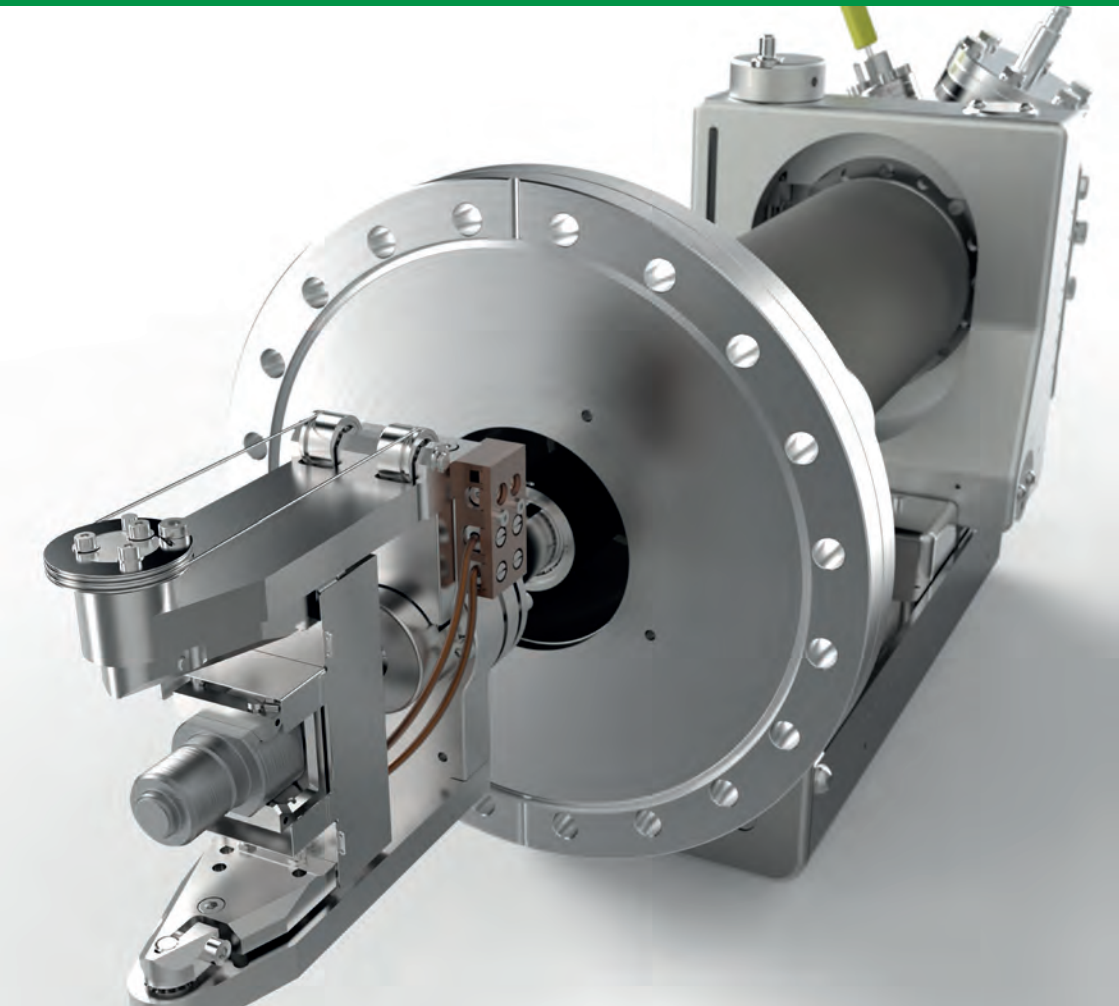
Judges Scientific plc

Interim Report 30 June 2021



Significant recovery

Performance recovering, order book restored to pre-pandemic levels, strong cash generation.

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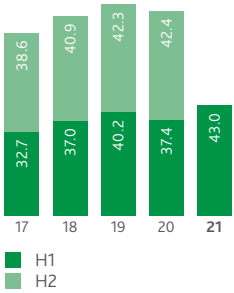
For more information visit:
www.judges.uk.com

Cover image: UHV Custom photocathode sample stage developed in collaboration with STFC Daresbury Laboratory for the UK's Free Electron Laser development facility.

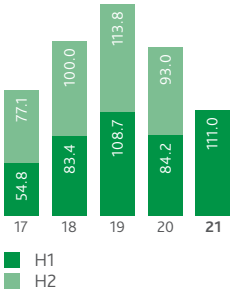
Highlights



+14.7%

Revenue (£m)

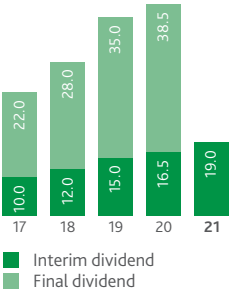
£43.0 million



+31.8%

Adjusted* basic earnings per share (p)

111.0p



+15.2%

Interim dividend*** (p)

19.0p

KEY FINANCIALS

- Revenue increased 14.7% to £43.0 million (H1 2020: £37.4 million);
- Adjusted* pre-tax profit of £8.5 million (H1 2020: £6.4 million);
  - Statutory pre-tax profit of £6.7 million (H1 2020: £4.3 million);
- Adjusted* basic earnings per share of 111.0p (H1 2020: 84.2p);
  - Statutory basic earnings per share of 88.4p (H1 2020: 57.8p);
- Interim dividend of 19.0p (H1 2020: 16.5p), an increase of 15.2%;
- Cash generated from operations of £8.0 million (H1 2020: £5.1 million);
- Adjusted* net debt (excl. IFRS 16) of £1.7 million as at 30 June 2021 (31 December 2020: £5.7 million);
  - Statutory net debt (excl. IFRS 16) of £1.7 million as at 30 June 2021 (31 December 2020: £5.7 million);
- Cash balances increased to £17.6 million as at 30 June 2021 (31 December 2020: £15.5 million).

OTHER FINANCIALS

- Organic** revenue increased 5% against H1 2020;
- Organic** order intake up 25% compared with H1 2020; and 3% up compared with record H1 2019;
- Organic** order book at 16.1 weeks (H1 2020: 10.8 weeks); total order book at 17.6 weeks;
- New £60 million five-year bank facility to provide greater acquisition financing capability.

OUTLOOK

- Business recovering from the initial impact of Covid-19;
- Environment still challenging, with marked differences between local markets and between the various scientific disciplines we serve;
- Organic orders remain positive and to the end of August are 23% up compared to the same period in 2020;
- Organic order book at the end of August was 18.8 weeks and total order book 20.1 weeks;
- The Board is confident that the Group will exceed 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 notionally includes acquisition-related payments which had yet to be settled at the balance sheet date and excludes IFRS 16 debt.

** Organic designates Group performance excluding the businesses which were not part of the Group on 1 January 2020.

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

Chairman's statement

SUMMARY

- Resilience and adaptability of the Group, alongside the contribution of recent acquisitions, enabled performance to reach H1 2019
- Markets and customers have adjusted to new environment, but not "business as usual" yet
- Long-term fundamentals of the Group unchanged

"Pleasingly, the Group's performance has started to recover from the initial impact of the pandemic. Whilst there are further obstacles to overcome, the Group's resilience and adaptability and the contribution of the recent acquisitions have enabled the first half performance to reach the record established in 2019."

The first half of 2021 marked a significant improvement in the Group's performance after the global difficulties caused by Covid-19 in 2020. Although daily life has returned to some normality in those countries with the benefit of a full vaccination programme, the pandemic is still ongoing across the world; our markets are, of course, global and are still affected by the ups-and-downs of the pandemic in various regions. Our markets and customers have managed to adapt to this new environment to a degree, but it is not "business as usual" yet. Our performance should be evaluated in this new context: reaching the adjusted EPS of H1 2019 (108.7p) demonstrates a significant recovery but we would have preferred to have already been able to add the two missing years of organic growth and the full contribution from our recent acquisitions to that result.

Order intake

Travel restrictions, university closures and the cancellation of scientific conferences have continued to thwart our commercial activities but order intake has strongly rebounded and Organic** order intake for the six months to 30 June was up 25% compared to the same period last year which was itself down 17% on H1 2019; this leaves us 3% ahead of our record H1 2019 intake but well below pre-Covid growth levels.

Progress was strongest in geographies which were affected most in 2020 with North America up 41%, the Rest of Europe up 34%, the UK up 26%, China/Hong Kong up 2% and the Rest of the World up 8%. The most notable absolute increases were the US (up £2.5 million), the UK (up £1.4 million), France (up £1.2 million), Germany (up £1.1 million), the Czech Republic (up £0.7 million) and Japan (up £0.6 million); the worst absolute decline was Brazil (down £0.3 million).

Order intake still varied considerably from business to business, between various scientific disciplines, and with bookings from large corporate customers being the slowest to revive.

Revenues

Group revenues for the period increased to £43.0 million (H1 2020: £37.4 million). This included a 5% increase in Organic revenues plus the contribution of the businesses acquired in 2020. Organic revenue expanded less than Organic order intake as the Organic order book was refilled to a robust level. Whilst there is a gap before a recovery in orders translates into sales growth, another factor has been the divergence between the Group's businesses slowest to rebound and those working hard to satisfy a large order book; a further feature has been a change in the way China produces tax exemption certificates on academic imports, deferring sales, profits and cashflow throughout the period.

Organic sales were strong in the UK (up 39%) and the rest of Europe (up 27%) but were weak in China/Hong Kong (down 33%) and North America (down 16%).

Profits

Adjusted operating profit improved 31% to £8.8 million (H1 2020: £6.7 million) and adjusted pre-tax profit progressed 32% to £8.5 million (H1 2020: £6.4 million).

The main driver of improved profitability has been the increase in Organic revenue reflecting the operational gearing within the Group: the EBITA contribution of the Organic businesses progressed 14% versus H1 2020. In addition, the non-Organic businesses added a £0.7 million EBITA contribution. Natural savings related to Covid-19 (travel and scientific conferences) continued to benefit our costs but our use of the UK Government's Coronavirus Job Retention Scheme was reduced by 75% versus H1 2020. It should be noted that order book fluctuations have a significant impact on profitability; H1 profits were flattered in 2020 by the compression of the order book and were dampened in 2021 by its rebuilding.

A further impact on our results for the six-month period to 30 June 2021 is that, in accordance with IAS 38, we were required to capitalise £0.4 million of our total R&D expense relating to development of new or significantly improved products. This has had the effect of artificially improving our result for this half year by 5p of EPS. Once these products are completed, their development costs will be amortised through the income statement over the next three years. We are likely to have a materially similar run rate of capitalisation over the second half of this year and also in the coming years, so whilst there will be a performance-enhancing effect on the results this year, the effect on the bottom line will diminish over the next two to three years.

Return on Total Invested Capital ("ROTIC") recovered to 25.0% for the trailing 12 months ended 30 June 2021 (31 December 2020: 23.5%; 30 June 2020: 26.6%). The ROTIC calculation excludes any effect of the aforementioned capitalisation of development costs.

Adjusted basic earnings per share grew 32% to 111.0p (H1 2020: 84.2p) and adjusted diluted earnings per share progressed similarly to 109.5p from 82.5p.

Your 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 £1.7 million (H1 2020: £2.1 million) consist primarily of a £1.4 million charge for amortisation of acquired intangible assets arising through acquisition. The adjusting items reduce profit before tax from £8.5 million to £6.7 million (H1 2020: £4.3 million) and earnings per share to 88.4p basic and 87.1p diluted (H1 2020: 57.8p basic and 56.6p diluted).

Cashflow and net debt

The Group once again saw strong cash conversion: cash generated from operations grew to £8.0 million (H1 2020: £5.1 million) representing 91% of adjusted operating profit (H1 2020: 76%). Cash generation was still affected by increased working capital requirements from stockpiling of components to counteract potential supply channel difficulties and by payment delays due to our inability to travel and perform installations; the aforementioned issue of Chinese tax certificates has also impacted H1 cashflow.

The interim balance sheet includes cash balances of £17.6 million and adjusted net debt of £1.7 million, from £5.7 million at the beginning of 2021.

On 26 May 2021 the Group entered into new banking facilities ("Facility") with Lloyds Banking Group plc (the "Bank") for an aggregate £60.0 million, which replaced its previous £35.0 million banking arrangements. The new Facility will provide the Group, in support of its buy and build strategy, with greater acquisition financing capacity, both in terms of higher frequency and/or larger deals.

The Facility consists of a £19.0 million term loan ("Term Loan"), a committed £35.0 million revolving credit facility plus a £6.0 million accordion facility, which can be drawn at the discretion of the Bank. The Facility has a five year term with covenants and interest consistent with the previous bank facilities. The accordion facility increases by the amount paid off the Term Loan, keeping the overall Facility at £60.0 million throughout the five year period (see note 10 for further details).

The existing lending facilities via Bordeaux Acquisition Limited remain unchanged.

Chairman's statement continued

Corporate activity

On 16 February 2021, the Group purchased 12.5% of the outstanding shares in Bordeaux Acquisition Limited for a cash consideration of £1.8 million, bringing its shareholding to 88%. Bordeaux owns 100% of Deben UK Limited and Oxford Cryosystems Limited and holds significant net cash.

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 19p (2020: 16.5p), which will be paid on Friday 5 November 2021 to shareholders on the register on Friday 8 October 2021. The shares will go ex-dividend on Thursday 7 October 2021. The interim dividend is covered 5.5 times by adjusted earnings (2020: 5 times).

Outlook

As the Group emerges from the worst of the pandemic, it is still faced by many challenges; whilst travelling restrictions and university closures are progressively alleviated, capital expenditure freezes are still affecting some of our operations and supply chain issues, which were benign in 2020, are now generating much unproductive management effort. Nevertheless, the Company is consolidating its recovery: Organic order intake remains positive and for the eight months to the end of August was 23% up on 2020, when the total order book stood at 20.1 weeks. Our financial position is robust and the Board has confidence that the performance for the year as a whole will be ahead of consensus expectations.

The Hon. Alexander Hambro
Chairman
23 September 2021

Condensed consolidated interim statement of comprehensive income

	Note	Adjusted £000	Adjusting items £000	30 June 2021 £000	Adjusted £000	Adjusting items £000	30 June 2020 £000	Year to 31 Dec 2020 £000
Revenue	3	**42,955**	**—**	**42,955**	37,449	—	37,449	79,865
Operating costs	3,4	**(34,147)**	**(1,698)**	**(35,845)**	(30,746)	(2,080)	(32,826)	(69,699)
Operating profit/(loss)		**8,808**	**(1,698)**	**7,110**	6,703	(2,080)	4,623	10,166
Interest income		**1**	**—**	**1**	13	—	13	14
Interest expense	4	**(350)**	**(27)**	**(377)**	(281)	(22)	(303)	(707)
Profit/(loss) before tax		**8,459**	**(1,725)**	**6,734**	6,435	(2,102)	4,333	9,473
Taxation (charge)/credit		**(1,318)**	**258**	**(1,060)**	(940)	363	(577)	(825)
Profit/(loss) for the period		**7,141**	**(1,467)**	**5,674**	5,495	(1,739)	3,756	8,648
Attributable to:								
Owners of the parent		**7,001**	**(1,431)**	**5,570**	5,268	(1,654)	3,614	8,220
Non-controlling interests		**140**	**(36)**	**104**	227	(85)	142	428
Profit/(loss) for the period		**7,141**	**(1,467)**	**5,674**	5,495	(1,739)	3,756	8,648
Other comprehensive income								
Items that will not be reclassified subsequently to profit or loss								
Retirement benefits actuarial gain/(loss)				**938**			(740)	(1,092)
Items that may be reclassified subsequently to profit or loss								
Exchange (loss)/gain on translation of foreign subsidiaries				**(21)**			144	(82)
Other comprehensive income/ (expense) for the period, net of tax				**917**			(596)	(1,174)
Total comprehensive income for the period				**6,591**			3,160	7,474
Attributable to:								
Owners of the parent				**6,487**			3,018	7,046
Non-controlling interests				**104**			142	428
		Pence		**Pence**	Pence		Pence	Pence
Earnings per share – adjusted								
Basic	5	**111.0**			84.2			177.2
Diluted	5	**109.5**			82.5			173.9
Earnings per share – total								
Basic	5			**88.4**			57.8	131.1
Diluted	5			**87.1**			56.6	128.7

Condensed consolidated interim balance sheet

	Note	30 June 2021 £000	30 June 2020 £000	31 December 2020 £000
ASSETS				
Non-current assets				
Goodwill		**18,713**	18,196	18,713
Other intangible assets	6	**5,963**	7,098	6,909
Property, plant and equipment		**6,702**	6,583	6,678
Right-of-use leased assets		**4,646**	4,295	5,125
Deferred tax assets		**1,899**	2,131	2,153
		37,923	38,303	39,578
Current assets				
Inventories		**13,175**	14,040	12,585
Trade and other receivables		**16,312**	12,666	14,340
Cash and cash equivalents		**17,612**	19,422	15,523
		47,099	46,128	42,448
Total assets		**85,022**	84,431	82,026
LIABILITIES				
Current liabilities				
Trade and other payables		**(16,774)**	(15,069)	(15,828)
Trade and other payables relating to acquisitions		**—**	(2,769)	—
Borrowings		**(4,657)**	(3,047)	(3,857)
Right-of-use lease liabilities		**(938)**	(854)	(947)
Current tax liabilities		**(2,216)**	(2,512)	(1,539)
		(24,585)	(24,251)	(22,171)
Non-current liabilities				
Borrowings		**(14,679)**	(20,244)	(17,358)
Right-of-use lease liabilities		**(3,836)**	(3,468)	(4,209)
Deferred tax liabilities		**(1,767)**	(1,819)	(1,945)
Retirement benefit obligations	11	**(1,962)**	(3,088)	(3,295)
		(22,244)	(28,619)	(26,807)
Total liabilities		**(46,829)**	(52,870)	(48,978)
Net assets		**38,193**	31,561	33,048
EQUITY				
Share capital	7	**316**	314	315
Share premium		**16,562**	16,068	16,429
Other reserves		**1,903**	2,203	1,977
Retained earnings		**18,912**	12,404	13,469
Equity attributable to owners of the parent		**37,693**	30,989	32,190
Non-controlling interests		**500**	572	858
Total equity		**38,193**	31,561	33,048

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 2021	315	16,429	1,977	13,469	32,190	858	33,048
Adjustment arising from 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 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
At 1 January 2020	311	15,453	2,059	10,048	27,871	821	28,692
Dividends	—	—	—	(3,231)	(3,231)	—	(3,231)
Adjustment arising from change in non-controlling interest	—	—	—	(680)	(680)	(391)	(1,071)
Issue of share capital	4	976	—	—	980	—	980
Deferred tax on share-based payments	—	—	—	(113)	(113)	—	(113)
Share-based payments	—	—	—	317	317	—	317
Transactions with owners	4	976	—	(3,707)	(2,727)	(391)	(3,118)
Profit for the year	—	—	—	8,220	8,220	428	8,648
Retirement benefit actuarial loss	—	—	—	(1,092)	(1,092)	—	(1,092)
Foreign exchange differences	—	—	(82)	—	(82)	—	(82)
Total comprehensive income for the year	—	—	(82)	7,128	7,046	428	7,474
At 31 December 2020	315	16,429	1,977	13,469	32,190	858	33,048

Condensed consolidated interim cashflow statement

	Six months to 30 June 2021 £000	Six months to 30 June 2020 £000	Year to 31 December 2020 £000
Cashflows from operating activities			
Profit after tax	**5,674**	3,756	8,648
Adjustments for:			
Financial instruments measured at fair value: hedging contracts	**(34)**	146	72
Share-based payments	**306**	162	317
Depreciation of property, plant and equipment	**512**	431	926
Depreciation of right-of-use leased assets	**510**	436	935
Amortisation of intangible assets	**1,355**	1,360	3,179
Profit on disposal of property, plant and equipment	**(29)**	(3)	(4)
Interest income	**(1)**	(13)	(14)
Interest expense	**245**	196	464
Interest payable on right-of-use lease liabilities	**105**	85	190
Retirement benefit obligation net interest cost	**27**	22	53
Contributions to defined benefit plans	**(164)**	—	(236)
Tax recognised in the Consolidated Statement of Comprehensive Income	**1,060**	577	825
(Increase)/decrease in inventories	**(590)**	(716)	1,099
Increase in trade and other receivables	**(1,972)**	(39)	(1,232)
Increase/(decrease) in trade and other payables	**983**	(1,296)	(598)
Cash generated from operations	**7,987**	5,104	14,624
Tax paid	**(565)**	(749)	(2,377)
Net cash from operating activities	**7,422**	4,355	12,247
Cashflows from investing activities			
Paid on acquisition of subsidiaries	**—**	(5,274)	(8,857)
Payment of deferred consideration	**—**	(1,896)	(3,922)
Gross cash inherited on acquisition	**—**	969	1,363
Acquisition of subsidiaries, net of cash acquired	**—**	(6,201)	(11,416)
Purchase of property, plant and equipment	**(544)**	(675)	(1,268)
Capitalised development costs	**(409)**	—	—
Proceeds from the sale of property, plant and equipment	**36**	3	14
Interest received	**1**	13	14
Net cash used in investing activities	**(916)**	(6,860)	(12,656)
Cashflows from financing activities			
Proceeds from issue of share capital	**134**	618	980
Purchase of own shares for Company reward scheme	**(53)**	—	—
Finance costs paid	**(245)**	(200)	(468)
Repayments of borrowings*	**(1,879)**	(1,429)	(7,857)
Repayment of subordinated loan notes	**—**	—	(190)
Repayments of right-of-use lease liabilities	**(520)**	(527)	(1,108)
Proceeds from bank loans*	**—**	10,274	14,816
Equity dividends paid	**—**	—	(3,231)
Paid on acquisition of non-controlling interest in subsidiary	**(1,833)**	(1,071)	(1,071)
Net cash (used in)/from financing activities	**(4,396)**	7,665	1,871
Net change in cash and cash equivalents	**2,110**	5,160	1,462
Cash and cash equivalents at the start of the period	**15,523**	14,123	14,123
Exchange movements	**(21)**	139	(62)
Cash and cash equivalents at the end of the period	**17,612**	19,422	15,523

* On 25 May 2021, £19.0 million of outstanding loans were repaid and simultaneously reborrowed as the Group renewed its banking facilities (see note 10).

* On 29 June 2020, £5.0 million was borrowed as a working capital buffer, and was subsequently repaid in December 2020.

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 2021 and the comparative figures for the six months ended 30 June 2020 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 2020, 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 2020 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 2020 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 23 September 2021.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group ended the first half of 2021 with total net debt of £1.8 million (equal to 5% of equity) compared to adjusted net debt of £5.7 million at 31 December 2020. This reduction in net debt arose through profitable and cash generative trading of the Group's principal operating companies throughout the first half of 2021, driven by the 25% growth in Organic order intake, partially offset by £1.9 million allocated to increase the Group's shareholding in one of its majority-owned businesses (see note 9). Further outlays were also made, paying instalments towards our fair share of tax (£0.6 million) and ongoing investment into capital expenditure (£0.5 million).

The Directors have considered the ongoing impact of the Covid-19 pandemic, and a summary of the implications is included in the Chairman's Statement. The Group is in a robust financial position, with high cash balances, low gearing and a strong future order book enabling it to face the challenge of the continued uncertain global economic environment due to Covid-19. 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. 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 2020, 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 2021	Note	Materials Sciences £000	Vacuum £000	Unallocated items £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 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 year ended 31 December 2020	Note	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Revenue		33,210	46,655	—	79,865
Operating costs		(28,341)	(34,564)	(2,603)	(65,508)
Adjusted operating profit		4,869	12,091	(2,603)	14,357
Adjusting items	4				(4,191)
Operating profit					10,166
Net interest expense					(693)
Profit before tax					9,473
Income tax charge					(825)
Profit for the year					8,648

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

3. Segmental analysis continued

Segment assets and liabilities

At 30 June 2021	Materials Sciences £000	Vacuum £000	Unallocated items £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
Purchase of property, plant and equipment	198	343	3	544
Capitalised development costs	77	332	—	409
Depreciation of property, plant and equipment	177	309	26	512
Depreciation of right-of-use leased assets	261	219	30	510
Amortisation	530	825	—	1,355

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
Purchase of property, plant and equipment	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 31 December 2020	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Assets	23,566	31,713	26,747	82,026
Liabilities	(11,468)	(11,702)	(25,808)	(48,978)
Net assets	12,098	20,011	939	33,048
Purchase of property, plant and equipment	355	902	11	1,268
Depreciation of property, plant and equipment	285	591	50	926
Depreciation of right-of-use leased assets	465	413	57	935
Amortisation	1,345	1,834	—	3,179

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 2021 £000	Six months to 30 June 2020 £000	Year to 31 December 2020 £000
UK (domicile)	7,743	5,153	10,167
Rest of Europe	14,354	10,847	24,784
North America	8,382	9,241	17,289
China/Hong Kong	4,720	5,286	13,721
Rest of the World	7,756	6,922	13,904
Revenue	42,955	37,449	79,865

Notes to the interim report continued

4. Adjusting items

	Six months to 30 June 2021 £000	Six months to 30 June 2020 £000	Year to 31 December 2020 £000
Amortisation of intangible assets	1,355	1,360	3,179
Financial instruments measured at fair value: hedging contracts	(34)	146	72
Share-based payments	306	162	317
Employment taxes arising from share-based payments	39	28	64
Acquisition costs	32	384	559
Total adjusting items within operating profit	1,698	2,080	4,191
Retirement benefits obligation net interest cost	27	22	53
Total adjusting items	1,725	2,102	4,244
Taxation	(258)	(363)	(1,204)
Total adjusting items net of tax	1,467	1,739	3,040
Attributable to:			
Owners of the parent	1,431	1,654	2,888
Non-controlling interests	36	85	152
	1,467	1,739	3,040

5. Earnings per share

	Note	Six months to 30 June 2021 £000	Six months to 30 June 2020 £000	Year to 31 December 2020 £000
Profit for the period attributable to owners of the parent				
Adjusted profit		7,001	5,268	11,108
Adjusting items	4	(1,431)	(1,654)	(2,888)
Profit for the period		5,570	3,614	8,220

		Pence	Pence	Pence
Earnings per share – adjusted				
Basic		111.0	84.2	177.2
Diluted		109.5	82.5	173.9
Earnings per share – total				
Basic		88.4	57.8	131.1
Diluted		87.1	56.6	128.7

		Number	Number	Number
Issued Ordinary shares at start of the period	7	6,299,163	6,226,291	6,226,291
Movement in Ordinary shares during the period	7	12,676	48,650	72,872
Issued Ordinary shares at end of the period	7	6,311,839	6,274,941	6,299,163
Weighted average number of shares in issue		6,306,177	6,254,512	6,269,437
Dilutive effect of share options		90,467	128,861	117,551
Weighted average shares in issue on a diluted basis		6,396,644	6,383,373	6,386,988

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.

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 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:

	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**

	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 2020	—	400	1,927	119	1,508	504	4,458
Acquisitions	—	—	1,400	400	750	1,450	4,000
Amortisation	—	(143)	(474)	(219)	(372)	(152)	(1,360)
Carrying amount at 30 June 2020	—	257	2,853	300	1,886	1,802	7,098

	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 2020	—	400	1,927	119	1,508	504	4,458
Acquisitions	—	—	2,100	500	830	2,200	5,630
Amortisation	—	(208)	(1,057)	(586)	(772)	(556)	(3,179)
Carrying amount at 31 December 2020	—	192	2,970	33	1,566	2,148	6,909

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	2021 £000	2020 £000
Allotted, called up and fully paid – Ordinary shares of 5p each		
1 January: 6,299,163 shares (2020: 6,226,291 shares)	**315**	311
Exercise of share options: 12,676 shares (2020: 48,650 shares)	**1**	3
30 June: 6,311,839 shares (2020: 6,274,941 shares)	**316**	314

Allotments of Ordinary shares in the first six months of 2021 were made to satisfy the exercise of 12,676 share options in aggregate on 16 occasions during the period when the share price was within the range of 5800p to 6408p (2020: exercise of 48,650 share options when the share price was within the range of 4300p to 5680p).

8. Changes in net debt

Changes in net debt for the six months ended 30 June 2021 were as follows:

	1 January 2021 £000	Cashflow £000	Non-cash items £000	30 June 2021 £000
Cash at bank and in hand	15,523	2,110	(21)	**17,612**
Bank debt	(21,215)	1,879	—	**(19,336)**
Total net debt	(5,692)	3,989	(21)	**(1,724)**

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

The movement in borrowings over the period was as follows:

	2021 £000	2020 £000
At 1 January	**21,215**	14,260
Proceeds from drawdown of loans	**—**	10,274
Repayment of loans	**(1,879)**	(1,429)
Interest payable	**245**	196
Interest paid	**(245)**	(200)
At 30 June	**19,336**	23,101
Subordinated debt to non-controlling shareholders	**—**	190
Total borrowings at 30 June	**19,336**	23,291

On 25 May 2021, £19.0 million of outstanding loans were repaid and simultaneously reborrowed as the Group renewed its banking facilities (see note 10).

	2021 £000	2020 £000
Current	**4,657**	3,047
Non-current	**14,679**	20,244
Total borrowings at 30 June	**19,336**	23,291

9. Acquisitions

Increased shareholding in Bordeaux Acquisition Limited

On 16 February 2021, Judges acquired 12.5% of the shares in Bordeaux Acquisition Limited for a cash consideration of £1.8 million, increasing its shareholding from 75.5% to 88%. The transaction was financed from Judges' existing cash resources.

10. Banking arrangements

On 25 May 2021, the Group entered into new banking facilities ("Facility") with Lloyds Banking Group plc (the "Bank") replacing its existing banking arrangements. The Facility was for an aggregate £60.0 million consisting of a £19.0 million term loan ("Term Loan"), a committed £35.0 million revolving credit facility ("RCF") plus a £6.0 million accordion facility, which can be drawn at the discretion of the Bank. The Facility replaced the previous facilities for which the Group had a total of £19.0 million outstanding. The Facility has a five year term ("Borrowing Term") with covenants and interest consistent with the previous bank facilities. The Term Loan shall amortise on a straight line basis over the Borrowing Term by quarterly instalments. The RCF is repayable in a bullet at the end of the Borrowing Term. The accordion facility increases by the amount paid off the Term Loan, keeping the overall Facility at £60.0 million throughout the Borrowing Term.

The existing lending facilities via Bordeaux Acquisition Limited ("Bordeaux"), the Group's 88% owned subsidiary, remain unchanged. Bordeaux was set up as a vehicle to acquire Deben UK Limited and was used in 2017 to acquire Crystallon, the parent of Oxford Cryosystems Limited.

11. Defined benefit scheme

The Group's defined benefit pension scheme net liability has decreased to £2.0 million, compared to £3.3 million at 31 December 2020, primarily due to an increase of 0.5% in the discount rate to 1.85% from 1.35% at 31 December 2020.

12. Dividends

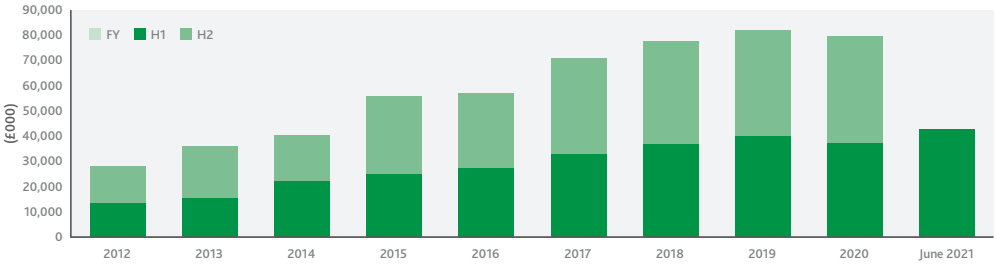
During the period, the Company paid no dividends (period to 30 June 2020: £nil).

The Company paid a final dividend of 38.5p per share totalling £2.4 million to shareholders on 9 July 2021 relating to the financial year ended 31 December 2020 (35.0p per share totalling £2.2 million relating to the financial year ended 31 December 2019).

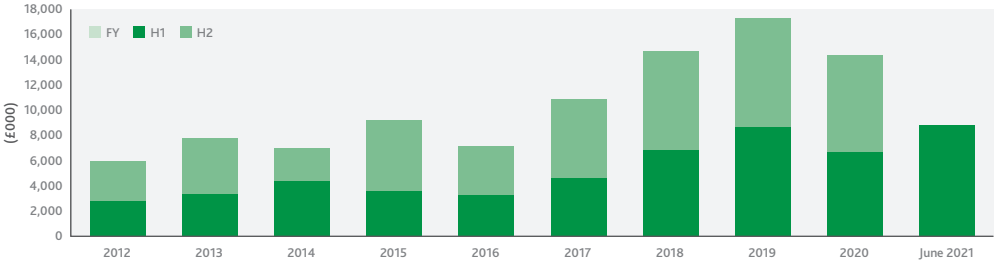
The Company will pay an interim dividend for 2021 of 19.0p per share (2020: interim dividend of 16.5p per share) on 5 November 2021 to shareholders on the register on 8 October 2021. The shares will go ex-dividend on 7 October 2021.

Financial history

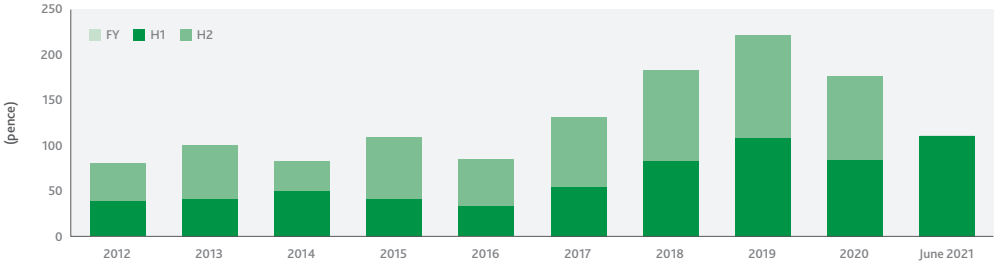
Revenue – ten years



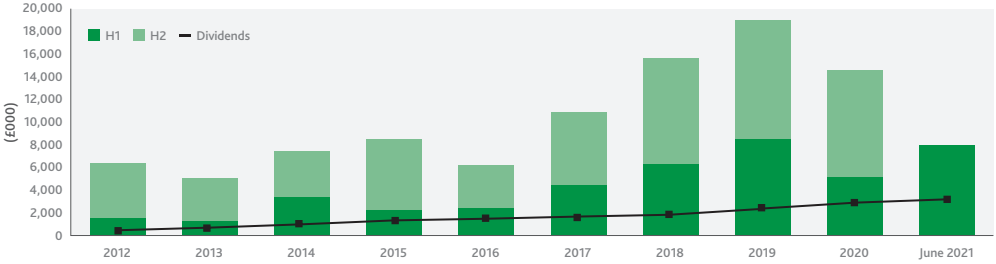
Adjusted operating profit – ten years



Earnings per share adjusted undiluted – ten years



Cash generation from operations and dividends



Dividends exclude the special dividend paid in December 2020.

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