



# Organic growth

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

## Who we are

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

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



► For more information visit:  
[www.judges.uk.com](http://www.judges.uk.com)

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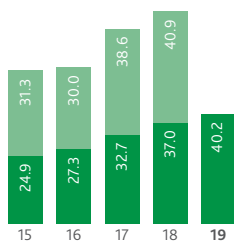
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# Highlights

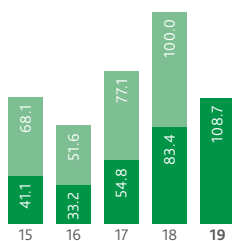


■ H1  
■ H2

**+9%**

Revenue (£m)

**£40.2m**

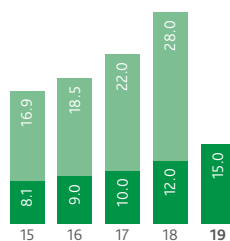


■ H1  
■ H2

**+30%**

Adjusted undiluted earnings per share (p)

**108.7p**



■ Interim dividend  
■ Final dividend

**+25%**

Total dividend (p)

**15.0p**

## Key financials\*\*

- Revenues increased 9% to a record £40.2 million (H1 2018: £37.0 million);
- Adjusted\* pre-tax profit increased 27% to £8.4 million (H1 2018: £6.6 million);
  - Statutory pre-tax profit increased to £6.9 million (H1 2018: £4.2 million);
- Adjusted\* basic earnings per share increased 30% to 108.7p (H1 2018: 83.4p);
  - Statutory basic earnings per share increased to 90.1p (H1 2018: 53.3p);
- Interim dividend of 15.0p (H1 2018: 12.0p), an increase of 25%; covered 7 times by adjusted earnings;
- Order intake increased 4% compared with H1 2018;
- Order book at 13.2 weeks (H1 2018: 15.0 weeks);
- Cash generated from operations increased to £8.5 million (H1 2018: £6.3 million);
- Adjusted\* net cash increased to £7.4 million as at 30 June 2019 (31 December 2018: £0.9 million);
- Statutory net cash increased to £7.2 million as at 30 June 2019 (31 December 2018: £0.7 million);
- Cash balances increased to £20.8 million as at 30 June 2019 (31 December 2018: £15.7 million).

## Outlook

- Adjusted profit before tax and earnings per share anticipated to be ahead of FY 2019 expectations.

\* 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 cash 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.

\*\* In the absence of any material acquisition since 1 January 2018, this statement shows no distinction between total and organic performance.

# Chairman's statement



“

The delivery of record revenue, adjusted profit before tax, earnings per share, cash generation and dividends for the first half is testament to the Group's pursuit of operational excellence. Orders to date are in line with our expectations, despite a subdued second quarter.”

## Summary

- Growth driven organically and via operational excellence
- Continued R&D investment
- Benefitting from diversification by geography and markets

It is gratifying to be able to report record figures across revenues, adjusted profit before tax, adjusted earnings per share and dividends for the first half of 2019, maintaining the positive financial performance experienced since the second half of 2016.

The Group's results for the six-month period to 30 June 2019 omits any distinction between “total” and “organic” as no material acquisitions were completed in the period.

## Revenues

Group revenues for the period increased 9% to a record £40.2 million (H1 2018: £37.0 million). Sales were particularly strong in North America (up 33%). After the pause observed in FY18, China/Hong Kong showed some improvement (up 5%) but the Rest of the World receded 8%. The UK was stable and the Rest of Europe up 2%. For followers of the status of Brexit and of the US/China trade tensions, the Rest of Europe (largely the EU27) represented 29% of the Group's revenue and North America plus China/HK represented 42%.

Sales were boosted by efforts throughout the Group to further pursue operational excellence; in particular, management strived to reduce customer delivery lead times. As a consequence, sales in the first half accelerated ahead of order intake, resulting in a small reduction of the order book.

## Order intake

As previously announced, order intake in the first half was consistent with the Group's expectations for the year, showing a progression of 4.2% on the same period last year. Due to the aforementioned acceleration of sales, the order book stood at a healthy 13.2 weeks of sales at 30 June 2019 against 14.4 weeks at the beginning of 2019 and 15.0 weeks at 30 June 2018.

Order intake was weak in the UK (22% below H1 2018) and solid in the Rest of Europe (5% above H1 2018), with double digit increases in the other major trading zones. North America was up 10%, China/HK up 13% and the Rest of the World up 13% versus H1 2018. This illustrates both the time gap between receipt of orders and their subsequent delivery, and the volatility of orders by geography over short periods.

## Profits

The increased profitability was driven by revenue growth, the continuing favourable foreign exchange environment and the aforementioned efforts to optimise all aspects of our businesses. Contribution to EBITA and central costs advanced by 22% which led to a 27% increase in adjusted pre-tax profit to £8.4 million (H1 2018: £6.6 million). Return on Total Invested Capital (“ROTIC”) advanced to 31.0% for the trailing 12 months ended 30 June 2019 (30 June 2018: 24.2%).

The 1.2 week order book compression contributed around half of the increased performance, which is not of a recurring nature.

Adjusted basic earnings per share progressed 30% to 108.7p (H1 2018: 83.4p) and adjusted diluted earnings per share grew similarly from 82.1p to 107.0p.

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 £1.5 million (H1 2018: £2.4 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 £8.4 million to £6.9 million (H1 2018: £4.2 million) and earnings per share to 90.1p basic and 88.6p diluted (H1 2018: 53.3p basic and 52.4p diluted).

### Cashflow and net debt

Cashflow during the first half of 2019 mirrored the trading accomplishment, with cash from operations of £8.5 million (H1 2018: £6.3 million) representing 98% of adjusted operating profit (H1 2018: 92%). The interim balance sheet includes cash balances of £20.8 million and adjusted net cash of £7.4 million, from £0.9 million at the beginning of 2019.

### Dividend

In accordance with the Company's dividend policy and in view of the positive performance in the period, the Board is declaring an interim dividend of 15.0p (2018: 12.0p), which will be paid on Friday 1 November 2019 to shareholders on the register on Friday 4 October 2019. The shares will go ex-dividend on Thursday 3 October 2019. The interim dividend is covered 7 times by adjusted earnings (2018: 7 times).

### Outlook

As noted in our trading update, the Group's order intake, whilst in line with expectations overall, experienced a small contraction in the second quarter. Since the period end order intake has recovered to a satisfactory level, maintaining a healthy order book. We continue to remain cautious about the ongoing macro-economic and political uncertainty and its potential impact on the future performance of the Group.

We do not expect a second half weighting similar to recent years, mostly in view of the aforementioned compression of the order book in the first half. Notwithstanding this – and concerns relating to the economic outlook – the strong financial performance in the first half and the healthy order book give the Board confidence that adjusted profit before tax and EPS will exceed current consensus market expectations for the year as a whole.

**The Hon. Alexander Hambro**  
Chairman

17 September 2019

## Condensed consolidated interim statement of comprehensive income

	Note	Adjusted £000	Adjusting items £000	Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
<b>Revenue</b>	3	<b>40,169</b>	—	<b>40,169</b>	36,962	77,868
Operating costs		<b>(31,539)</b>	—	<b>(31,539)</b>	(30,102)	(63,137)
<b>Adjusted operating profit</b>	3	<b>8,630</b>	—	<b>8,630</b>	6,860	14,731
Adjusting items	4	—	<b>(1,480)</b>	<b>(1,480)</b>	(2,350)	(4,045)
<b>Operating profit/(loss)</b>		<b>8,630</b>	<b>(1,480)</b>	<b>7,150</b>	4,510	10,686
Interest income		49	—	49	12	41
Interest expense	4	<b>(257)</b>	<b>(25)</b>	<b>(282)</b>	(290)	(539)
<b>Profit/(loss) before tax</b>		<b>8,422</b>	<b>(1,505)</b>	<b>6,917</b>	4,232	10,188
Taxation (charge)/credit		<b>(1,316)</b>	265	<b>(1,051)</b>	(556)	(1,053)
<b>Profit/(loss) for the period</b>		<b>7,106</b>	<b>(1,240)</b>	<b>5,866</b>	3,676	9,135
Attributable to:						
Owners of the parent		6,750	(1,158)	5,592	3,283	8,495
Non-controlling interests		356	(82)	274	393	640
<b>Profit/(loss) for the period</b>		<b>7,106</b>	<b>(1,240)</b>	<b>5,866</b>	3,676	9,135
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified subsequently to profit or loss</b>						
Retirement benefits actuarial (loss)/gain				<b>(250)</b>	128	168
<b>Items that may be reclassified subsequently to profit or loss</b>						
Exchange differences on translation of foreign subsidiaries				<b>16</b>	20	66
<b>Other comprehensive (expense)/income for the period, net of tax</b>				<b>(234)</b>	148	234
<b>Total comprehensive income for the period</b>				<b>5,632</b>	3,824	9,369
Attributable to:						
Owners of the parent				<b>5,358</b>	3,431	8,729
Non-controlling interests				<b>274</b>	393	640
				<b>Pence</b>	Pence	Pence
<b>Earnings per share – adjusted</b>						
Basic	5			<b>108.7</b>	83.4	183.4
Diluted	5			<b>107.0</b>	82.1	180.6
<b>Earnings per share – total</b>						
Basic	5			<b>90.1</b>	53.3	137.5
Diluted	5			<b>88.6</b>	52.4	135.4

## Condensed consolidated interim balance sheet

	Note	30 June 2019 £000	30 June 2018 £000	31 December 2018 £000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		14,650	14,650	14,650
Other intangible assets	6	3,989	6,861	5,373
Property, plant and equipment		5,460	5,534	5,524
Right-of-use leased assets	2	2,610	—	—
Deferred tax assets		775	713	719
		<b>27,484</b>	27,758	26,266
<b>Current assets</b>				
Inventories		11,926	11,424	10,502
Trade and other receivables		11,610	13,708	13,231
Cash and cash equivalents		20,780	14,365	15,727
		<b>44,316</b>	39,497	39,460
<b>Total assets</b>		<b>71,800</b>	67,255	65,726
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		(12,988)	(13,961)	(13,977)
Borrowings		(3,047)	(3,081)	(3,058)
Right-of-use lease liabilities	2	(650)	—	—
Current tax liabilities		(2,572)	(3,680)	(2,204)
		<b>(19,257)</b>	(20,722)	(19,239)
<b>Non-current liabilities</b>				
Borrowings		(10,541)	(13,642)	(11,968)
Right-of-use lease liabilities	2	(1,900)	—	—
Deferred tax liabilities		(1,215)	(1,661)	(1,477)
Retirement benefit obligations	10	(2,162)	(2,094)	(1,836)
		<b>(15,818)</b>	(17,397)	(15,281)
<b>Total liabilities</b>		<b>(35,075)</b>	(38,119)	(34,520)
<b>Net assets</b>		<b>36,725</b>	29,136	31,206
<b>EQUITY</b>				
Share capital	7	311	309	310
Share premium		15,359	15,000	15,164
Other reserves		2,137	2,075	2,121
Retained earnings		18,295	10,282	13,049
<b>Equity attributable to owners of the parent</b>		<b>36,102</b>	27,666	30,644
Non-controlling interests		623	1,470	562
<b>Total equity</b>		<b>36,725</b>	29,136	31,206

## 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 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
<b>At 30 June 2019</b>	<b>311</b>	<b>15,359</b>	<b>2,137</b>	<b>18,295</b>	<b>36,102</b>	<b>623</b>	<b>36,725</b>
	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total attributable to owners of parent £000	Non-controlling interests £000	Total equity £000
At 1 January 2018	307	14,529	2,055	6,688	23,579	1,077	24,656
Issue of share capital	2	471	—	—	473	—	473
Share-based payments	—	—	—	183	183	—	183
Transactions with owners	2	471	—	183	656	—	656
Profit for the period	—	—	—	3,283	3,283	393	3,676
Retirement benefit actuarial gain	—	—	—	128	128	—	128
Foreign exchange differences	—	—	20	—	20	—	20
Total comprehensive income for the period	—	—	20	3,411	3,431	393	3,824
<b>At 30 June 2018</b>	<b>309</b>	<b>15,000</b>	<b>2,075</b>	<b>10,282</b>	<b>27,666</b>	<b>1,470</b>	<b>29,136</b>
	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total attributable to owners of parent £000	Non-controlling interests £000	Total equity £000
At 1 January 2018	307	14,529	2,055	6,688	23,579	1,077	24,656
Dividends	—	—	—	(2,103)	(2,103)	(162)	(2,265)
Adjustment arising from change in non-controlling interest	—	—	—	(518)	(518)	(993)	(1,511)
Issue of share capital	3	635	—	—	638	—	638
Share-based payments	—	—	—	319	319	—	319
Transactions with owners	3	635	—	(2,302)	(1,664)	(1,155)	(2,819)
Profit for the year	—	—	—	8,495	8,495	640	9,135
Retirement benefit actuarial gain	—	—	—	168	168	—	168
Foreign exchange differences	—	—	66	—	66	—	66
Total comprehensive income for the year	—	—	66	8,663	8,729	640	9,369
<b>At 31 December 2018</b>	<b>310</b>	<b>15,164</b>	<b>2,121</b>	<b>13,049</b>	<b>30,644</b>	<b>562</b>	<b>31,206</b>



## Condensed consolidated interim cashflow statement

	Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
<b>Cashflows from operating activities</b>			
Profit after tax	5,866	3,676	9,135
Adjustments for:			
Financial instruments measured at fair value: hedging contracts	(12)	22	56
Share-based payments	108	183	319
Depreciation of property, plant and equipment	367	373	746
Depreciation of right-of-use leased assets	395	—	—
Amortisation of intangible assets	1,384	2,145	3,633
(Profit)/loss on disposal of property, plant and equipment	(28)	—	18
Foreign exchange gains on foreign currency loans	—	(18)	(18)
Interest income	(49)	(12)	(41)
Interest expense	257	263	485
Retirement benefit obligation net interest cost	25	27	54
Contributions to defined benefit plans	—	—	(236)
Tax recognised in income statement	1,051	556	1,053
Increase in inventories	(1,424)	(1,044)	(122)
Decrease/(increase) in trade and other receivables	1,486	(1,881)	(1,404)
(Decrease)/increase in trade and other payables	(937)	1,989	2,000
<b>Cash generated from operations</b>	<b>8,489</b>	<b>6,279</b>	<b>15,678</b>
Finance costs paid	(256)	(266)	(525)
Tax paid	(947)	(115)	(2,351)
<b>Net cash from operating activities</b>	<b>7,286</b>	<b>5,898</b>	<b>12,802</b>
<b>Cashflows from investing activities</b>			
Paid on acquisition of new subsidiaries	—	(599)	(599)
Gross cash inherited on acquisition	—	—	—
Acquisition of subsidiaries, net of cash acquired	—	(599)	(599)
Purchase of property, plant and equipment	(314)	(557)	(955)
Proceeds from the sale of property, plant and equipment	28	—	18
Interest received	49	12	41
<b>Net cash used in investing activities</b>	<b>(237)</b>	<b>(1,144)</b>	<b>(1,495)</b>
<b>Cashflows from financing activities</b>			
Proceeds from issue of share capital	196	473	638
Repayments of borrowings	(1,440)	(1,518)	(3,183)
Repayments of right-of-use lease liabilities	(362)	—	—
Equity dividends paid	—	—	(2,103)
Share repurchase – non-controlling interest in subsidiary	(417)	—	(1,511)
Dividends paid – non-controlling interest in subsidiary	—	—	(162)
<b>Net cash used in financing activities</b>	<b>(2,023)</b>	<b>(1,045)</b>	<b>(6,321)</b>
<b>Net change in cash and cash equivalents</b>	<b>5,026</b>	<b>3,709</b>	<b>4,986</b>
Cash and cash equivalents at start of period	15,727	10,681	10,681
Exchange movements	27	(25)	60
<b>Cash and cash equivalents at end of period</b>	<b>20,780</b>	<b>14,365</b>	<b>15,727</b>

# 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 2019 and the comparative figures for the six months ended 30 June 2018 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 2018, which have been prepared in accordance with IFRS as adopted by the European Union.

The financial information for the year ended 31 December 2018 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 2018 have been filed with the Registrar of Companies. The Auditor's Report in respect of those financial statements was unqualified and did not contain statements under section 498 of the Companies Act 2006.

Judges Scientific plc is the Group's ultimate parent company. The Company is a public limited company incorporated and domiciled in the United Kingdom. Its registered office and principal place of business is 52c Borough High Street, London SE1 1XN and the Company's shares are quoted on the Alternative Investment Market. The Interim Report is presented in Sterling, which is the functional currency of the parent company. The Interim Report has been approved for issue by the Board of Directors on 17 September 2019.

## 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 2018, 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.

### IFRS 16 'Leases' (effective date 1 January 2019)

The Group has adopted IFRS 16 'Leases' as of 1 January 2019. The modified retrospective approach was applied on transition. Prior period comparatives have not been restated, and there was no adjustment to equity on transition.

IFRS 16 requires the capitalisation of operating leases, such as the Group's building and vehicle leases, as right-of-use leased assets with an offsetting financial liability. The Group has elected to measure the right-of-use leased assets at an amount equal to the lease liabilities adjusted for any prepaid or accrued lease payments that existed at the date of transition. Right-of-use assets and liabilities are presented separately in the consolidated balance sheet.

The weighted average incremental borrowing rate used to measure lease liabilities is 4.25%.

In the consolidated statement of comprehensive income the previous rental charge has been replaced with a combination of depreciation from the right-of-use leased assets and an interest charge from the lease liabilities. The effect for the period ended 30 June 2019 is as follows:

	Six months to 30 June 2019 £000
Rental lease charges under previous accounting standard	408
Depreciation of right-of-use leased assets	(395)
<b>Increase in operating profit due to IFRS 16</b>	<b>13</b>
Interest charge from right-of-use liabilities	(45)
<b>Decrease in profit before tax due to IFRS 16</b>	<b>(32)</b>
Decrease in earnings per share due to IFRS 16	(0.42p)

## 2. Significant accounting policies continued

### IFRS 16 'Leases' (effective date 1 January 2019) continued

In the year of adoption operating profit increases, but profit before tax decreases, and earnings per share is reduced. Assuming no further changes to the Group's leases, the increase in operating profit will endure, however in future years the interest charge will reduce as the discount unwinds.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the right-of-use lease liabilities and assets recognised at 1 January 2019:

	1 January 2019 £000
Total operating lease commitments disclosed at 31 December 2018	3,363
Adjustments to commitments disclosures	(155)
Right-of-use lease liabilities before discounting	3,208
Discounted using incremental borrowing rate	(296)
<b>Right-of-use lease liabilities recognised at 1 January 2019</b>	<b>2,912</b>
Adjustments for prepaid rent at 31 December 2018	135
Adjustments for accrued rent at 31 December 2018	(42)
<b>Right-of-use leased assets recognised at 1 January 2019</b>	<b>3,005</b>

Changes in the right-of-use leased assets for the six months ended 30 June 2019 were as follows:

	Six months to 30 June 2019 £000
<b>Right-of-use leased assets recognised at 1 January 2019</b>	<b>3,005</b>
Depreciation	(395)
<b>Right-of-use leased assets as at 30 June 2019</b>	<b>2,610</b>

Changes in the right-of-use lease liabilities for the six months ended 30 June 2019 were as follows:

	Six months to 30 June 2019 £000
<b>Right-of-use lease liabilities recognised at 1 January 2019</b>	<b>2,912</b>
Interest accrued	45
Interest paid	(45)
Repayments of right-of-use lease liabilities	(362)
<b>Right-of-use lease liabilities as at 30 June 2019</b>	<b>2,550</b>
<b>Split between:</b>	
Current	650
Non-current	1,900

## Notes to the interim report continued

## 3. Segmental analysis

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

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

	Note	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
For the year ended 31 December 2018					
<b>Revenue</b>		35,058	42,810	—	77,868
Operating costs		(27,018)	(33,445)	(2,674)	(63,137)
<b>Adjusted operating profit</b>		8,040	9,365	(2,674)	14,731
Adjusting items	4				(4,045)
<b>Operating profit</b>					10,686
Net interest expense					(498)
<b>Profit before tax</b>					10,188
Income tax charge					(1,053)
<b>Profit for the year</b>					9,135

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

### 3. Segmental analysis continued

#### Segment assets and liabilities

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)
<b>Net assets</b>	<b>8,617</b>	<b>13,424</b>	<b>14,684</b>	<b>36,725</b>
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 30 June 2018	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Assets	19,445	24,704	23,106	67,255
Liabilities	(9,491)	(14,826)	(13,802)	(38,119)
<b>Net assets</b>	<b>9,954</b>	<b>9,878</b>	<b>9,304</b>	<b>29,136</b>
Capital expenditure	122	435	—	557
Depreciation of property, plant and equipment	122	233	18	373
Amortisation	775	1,370	—	2,145

At 31 December 2018	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Assets	17,275	24,410	24,041	65,726
Liabilities	(7,888)	(11,838)	(14,794)	(34,520)
<b>Net assets</b>	<b>9,387</b>	<b>12,572</b>	<b>9,247</b>	<b>31,206</b>
Capital expenditure	185	770	—	955
Depreciation of property, plant and equipment	231	481	34	746
Amortisation	1,519	2,114	—	3,633

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 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
UK (domicile)	4,539	4,541	10,729
Rest of Europe	11,780	11,499	23,156
North America	13,294	9,972	20,884
China/Hong Kong	3,648	3,467	7,716
Rest of the world	6,908	7,483	15,383
<b>Revenue</b>	<b>40,169</b>	<b>36,962</b>	<b>77,868</b>

## Notes to the interim report continued

## 4. Adjusting items

	Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
Amortisation of intangible assets	1,384	2,145	3,633
Financial instruments measured at fair value: hedging contracts	(12)	22	56
Share-based payments	108	183	319
Acquisition costs	—	—	37
<b>Total adjusting items within operating profit</b>	<b>1,480</b>	2,350	4,045
Retirement benefits obligation net interest cost	25	27	54
<b>Total adjusting items</b>	<b>1,505</b>	2,377	4,099
Taxation	(265)	(435)	(1,085)
<b>Total adjusting items net of tax</b>	<b>1,240</b>	1,942	3,014
Attributable to:			
Owners of the parent	1,158	1,857	2,834
Non-controlling interests	82	85	180
	<b>1,240</b>	1,942	3,014

## 5. Earnings per share

	Note	Six months to 30 June 2019 £000	Six months to 30 June 2018 £000	Year to 31 December 2018 £000
<b>Profit for the period attributable to owners of the parent</b>				
Adjusted profit		6,750	5,140	11,329
Adjusting items	4	(1,158)	(1,857)	(2,834)
<b>Profit for the period</b>		<b>5,592</b>	3,283	8,495
		Pence	Pence	Pence
<b>Earnings per share – adjusted</b>				
Basic		108.7	83.4	183.4
Diluted		107.0	82.1	180.6
<b>Earnings per share – total</b>				
Basic		90.1	53.3	137.5
Diluted		88.6	52.4	135.4
		Number	Number	Number
Issued Ordinary shares at start of the period	7	6,196,678	6,141,128	6,141,128
Movement in Ordinary shares during the period	7	24,163	43,050	55,550
<b>Issued Ordinary shares at end of the period</b>	7	<b>6,220,841</b>	6,184,178	6,196,678
Weighted average number of shares in issue		6,207,925	6,162,943	6,176,315
Dilutive effect of share options		101,158	96,928	96,800
<b>Weighted average shares in issue on a diluted basis</b>		<b>6,309,083</b>	6,259,871	6,273,115

## 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 2019 £000	Amortisation £000	Carrying amount at 30 June 2019 £000
Distribution agreements	310	(110)	200
Research and development	2,458	(552)	1,906
Brand and domain names	2,235	(512)	1,723
Customer relationships	370	(210)	160
<b>Total</b>	5,373	(1,384)	3,989

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

	Carrying amount at 1 January 2018 £000	Amortisation £000	Carrying amount at 31 December 2018 £000
Distribution agreements	606	(296)	310
Research and development	3,712	(1,254)	2,458
Brand and domain names	3,705	(1,470)	2,235
Customer relationships	983	(613)	370
<b>Total</b>	9,006	(3,633)	5,373

## Notes to the interim report continued

### 7. Share capital

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

	Six months to 30 June 2019 Number	Six months to 30 June 2018 Number	Year to 31 December 2018 Number
Ordinary shares of 5p each			
<b>Issued and fully paid</b>			
Start of the period	6,196,678	6,141,128	6,141,128
Exercise of share options	24,163	43,050	55,550
<b>End of the period</b>	<b>6,220,841</b>	6,184,178	6,196,678

During the first six months of 2019 the following allotments took place:

- 24,163 Ordinary shares were issued to satisfy the exercise of share options as follows:
  - on 5 February 2019 when the mid-market share price was 2660.0p;
  - on 22 February 2019 when the mid-market share price was 2700.0p;
  - on 29 March 2019 when the mid-market share price was 2690.0p;
  - on 3 April 2019 when the mid-market share price was 2720.0p;
  - on 12 April 2019 when the mid-market share price was 3070.0p;
  - on 26 April 2019 when the mid-market share price was 3175.0p;
  - on 3 May 2019 when the mid-market share price was 3115.0p;
  - on 8 May 2019 when the mid-market share price was 3105.0p; and
  - on 3 June 2019 when the mid-market share price was 3090.0p.

### 8. Changes in net cash

Changes in net cash for the six months ended 30 June 2019 were as follows:

	1 January 2019 £000	Cashflow £000	Non-cash items £000	30 June 2019 £000
Cash at bank and in hand	15,727	5,026	27	20,780
Bank debt	(14,836)	1,440	(2)	(13,398)
<b>Net cash including senior debt</b>	891	6,466	25	7,382
Subordinated debt to non-controlling shareholders	(190)	—	—	(190)
<b>Total net cash</b>	701	6,466	25	7,192
Subordinated debt to non-controlling shareholders	190	—	—	190
<b>Adjusted net cash</b>	891	6,466	25	7,382

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

### 9. Acquisitions

On 29 March 2019 PE.fiberoptics Limited ("PFO"), one of the Company's subsidiaries, acquired the remaining shares of a third-party shareholder for a consideration of £0.4 million. As a result, the Group's interest in PFO increased from 67.5% to 74.5%.



## 10. Defined benefit scheme

The Group's defined benefit pension scheme liability has increased to £2.2 million compared to £1.8 million at 31 December 2018, due to a decrease of 0.5% in the discount rate to 2.3% from 2.8% at 31 December 2018.

## 11. Dividends

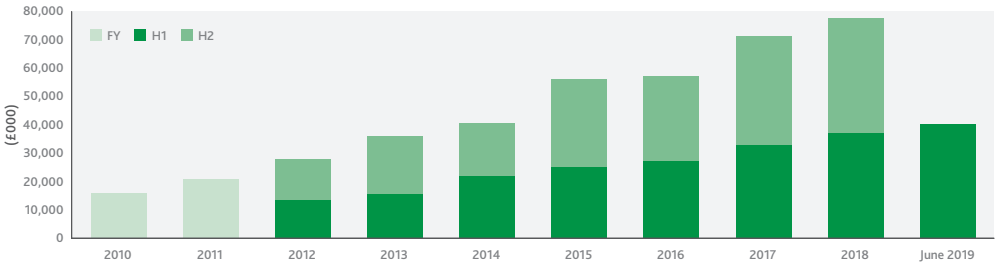
During the period, the Company paid no dividends (period to 30 June 2018: £nil).

The Company paid a final dividend of 28.0p per share totalling £1.7 million to shareholders on 5 July 2019 relating to the financial year ended 31 December 2018 (22.0p per share totalling £1.4 million relating to the financial year ended 31 December 2017).

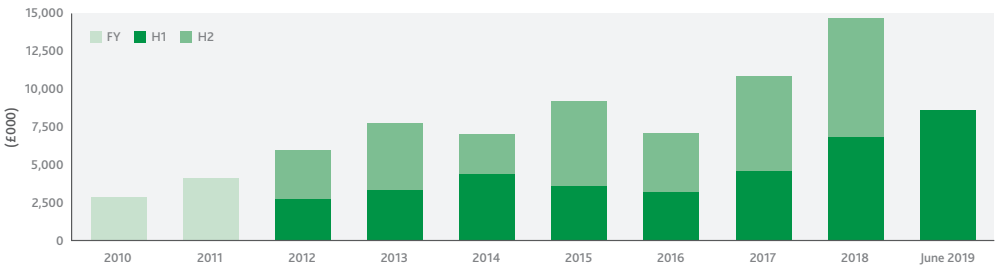
The Company will pay an interim dividend for 2019 of 15.0p per share (2018: interim dividend of 12.0p per share) on 1 November 2019 to shareholders on the register on 4 October 2019. The shares will go ex-dividend on 3 October 2019.

# Financial history

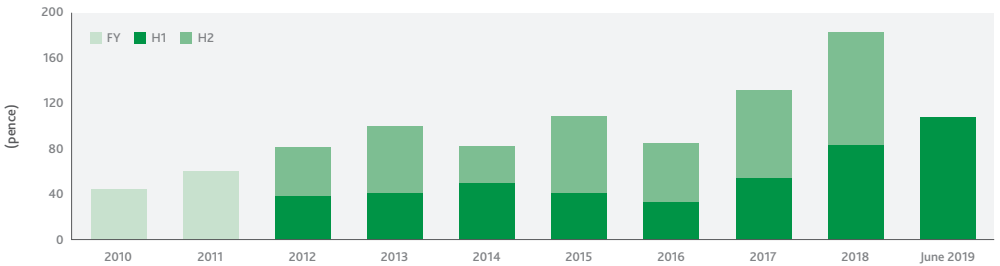
## Revenue – ten years



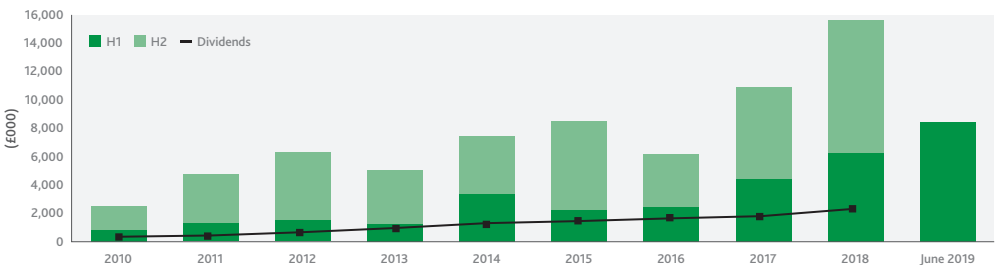
## Adjusted operating profit – ten years



## Earnings per share adjusted undiluted – ten years



## Cash generation from operations and dividends



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