Anpario

Nature's Answer

Anpario plc
Interim Report 2020

OREGO-STIM™ Nature's Answer from Anpario

Optomega PLUS™ Nature's Answer from Anpario

Salgard™ Nature's Answer from Anpario

pHorce™ Nature's Answer from Anpario

Anpro™ Nature's Answer from Anpario

Salkil™ Nature's Answer from Anpario

Highlights

Anpario plc, the international producer and distributor of natural animal feed additives for animal health, nutrition and biosecurity, is pleased to announce its interim results for the six months to 30 June 2020.

Financial highlights

- 13% increase in revenue to £16.2m (2019: £14.3m)
- 20% increase in gross profit to £8.5m (2019: £7.1m)
- 24% improvement in adjusted EBITDA[1] to £3.4m (2019: £2.7m)
- 34% increase in diluted adjusted earnings per share to 11.74p (2019: 8.73p)
- 10% increase in interim dividend to 2.75p (2019: 2.5p) per share
- Cash balances of £13.2m at 30 June 2020 (Dec 2019: £13.8m)

Operational highlights

- Covid-19 contingency plans have ensured minimal disruption to operations
- Strong double-digit sales performances in most regions
- Product registrations in Indonesia resulting in new business and growing sales
- Strong sales growth in phytogenics and acid-based eubiotic products

Peter Lawrence, Chairman, commented:

"The Board is delighted with the strong sales and profit performance delivered in the first half of 2020. The period was extremely challenging as we faced the unprecedented impact of the Covid-19 (coronavirus) global pandemic. These results are a testament to the commitment, flexibility and supreme efforts of our team and the resilience of the company's systems and operational procedures. In addition to our staff, the Board would like to thank all stakeholders including our customers and suppliers. The health and safety of our staff around the world is a priority and, as such, we envisage continuing most of our contingency measures for a further period.

Looking forward, we will continue the on-line and direct marketing tactics that produced such a strong first half performance. Additionally, we will be able to build upon new business gained from those competitors unable to supply during lock-down. As a result, we remain confident of continuing the profitable development of the Group.

Our strong balance sheet provides Anpario with the resources to expand our global reach and to undertake earnings enhancing and complementary acquisitions which may arise in these uncertain times."

1 Adjusted EBITDA represents operating profit for the period £2.317m (2019: £2.211m) adjusted for: share based payments and associated costs £0.029m (2019: £0.071m); foreign exchange losses £0.434m (2019: £0.059m gain); and depreciation, amortisation and impairment charges of £0.613m (2019: £0.523m). H1 2019 comparatives have been restated, see note 4 for details.

Chairman’s statement

Anpario is pleased to report a strong performance with sales and profit growth achieved during an extraordinary period as the Covid-19 (coronavirus) pandemic impacts countries around the world. The Group reacted quickly by implementing its contingency plans which included: a split production system, remote working and using communication technology to support our global sales team and customers. The result has been very positive, and the Group has been able to grow sales volumes and meet the requirements of our customers. We intend to keep most of these contingency measures in place for the time being and continue to monitor the global situation, as it will inevitably present challenges whilst the pandemic is still affecting trade and life in general.

Group sales for the six months to 30 June 2020 grew by 13% to £16.2m with strong performances in most of the regions in which the Group trades.

Gross profit improved by 20% to £8.5m reflecting the positive effect of selling higher value-added products and also the contribution from our investment in the liquid bottling plant commissioned in July 2019, enabling the Group to bring previously toll-manufactured products in-house. Our flexibility in being able to offer a variety of packaging options and sizes, especially for the Anpario Direct channel and for customers who prefer to work with them, further supports our value-added proposition to the markets we serve.

The pandemic led to the suspension of travel and industry trade exhibitions scheduled for 2020 and this delivered a cost saving. Although business development initiatives will require a resumption of travel activities, some valuable lessons have been learnt in how technology can be used to operate more efficiently.

The Group maintains a strong balance sheet with a period end cash balance of £13.2m (Dec 2019: £13.8m). The Board has approved an interim dividend of 2.75p per share (2019: 2.50p), an increase of 10%, payable on 27 November to shareholders on the register on 13 November.

Americas
Latin America continued its strong performance with sales growth of 16% compared with the same period last year. Brazil delivered sales growth of 38% driven by strong volumes in Orego-Stim® and Salkil®. Ecuador achieved growth of 33%, where our products are largely used in the aquaculture industry. There are further opportunities in aquaculture in this region and we expect to capitalise on recent product registration approvals.

US growth picked up in the first half delivering a 13% improvement in sales compared with the same period last year. The agriculture market has been affected by both Covid-19 and the continuing US – China trade dispute. We continued with our business development activity adding a number of new customers. The dairy industry has turned around since the early months of the pandemic with milk prices having strengthened significantly. We supply our Anpro® range of mycotoxin control products to this market.

Sales of Orego-Stim®, the market leading phytogenics product, delivered 20% growth compared to the same period last year and we have further opportunities supplying the poultry broiler and layer markets.

The swine sector was weak but we have strengthened our sales resource to take advantage of any turnaround in the market and to promote pHorce® which is our high strength acid-based eubiotic, proven to be highly effective as an in-feed anti-viral product.

Asia
Sales were ahead by 28% compared to the same period last year. This includes **China** with flat sales growth but gross profit advanced 14%, as we focused on selling high value-add products such as Orego-Stim® and Prefect, which are our leading gut health products. China was the first country into lockdown in the first quarter of this year and this, combined with Chinese New Year celebrations, meant that sales activity only really started in the second quarter.

The swine industry is now showing encouraging signs of recovery as farmers re-stock following the African Swine Fever epidemic. The ban on the use of antibiotic growth promoters in animal feed, introduced after the period end, will be positive for Anpario.

South East Asia delivered the strongest performance of all regions with excellent sales and gross profit advances in the Philippines, Malaysia, South Korea and Indonesia. The region benefited from a number of business development initiatives including receiving important product registrations for our Indonesian subsidiary, which now allows our local sales team to market our products directly to buyers.

We expect that there could be some slowdown in the second half as the Covid-19 pandemic affects protein consumption habits but this should only be short-lived as many countries in the region appear to have managed the situation effectively. In order to help mitigate the impact of this slowdown, our sales team is beginning to target the regional aquaculture market with products which have proved successful for Anpario in Latin America.

Australasia saw modest sales growth compared to the same period last year, with the performance in both Australia and New Zealand offsetting a reduction in business in Papua New Guinea because of a customer suffering financial difficulty.

The Middle East and Africa

After last year's strong performance, the region saw a decline in sales compared to the same period last year. The Middle East has been severely impacted by the Covid-19 pandemic as a result of cancelled religious celebrations and pilgrimages, a fall in tourism and redundancies of foreign workers in the region. Nevertheless, there have been some bright spots with good growth of our pellet binder, Mastercube™ and new business gained with our Optomega® omega-3 product for dairy cow fertility. We do not expect a significant turnaround this year but our sales team is targeting several opportunities, including trying to capitalise on competitors who are unable to supply customers in the region.

Europe

The region showed strong sales and gross profit growth. Most countries had modest increases but the UK delivered a very strong performance through greater demand for our raw materials and feed hygiene products. Further opportunities are being targeted as Anpario has unique products and can offer a quick turnaround of supply in contrast to most mainland European suppliers.

Spain and Italy suffered with sales declines, both countries were badly affected by Covid-19.

Sales through the Anpario Direct online platform continue to grow, albeit from a low base, as we engage with target customers through the various social media forums. Our field sales team will also be encouraging customers to place smaller orders online using new functionality which allows for customer specific pricing; this is an important feature where a large customer has multiple locations requiring smaller deliveries but on aggregate the volumes are significant.

As mentioned earlier customer support and business development activities have continued electronically during the lockdown but as restrictions are relaxed, we anticipate more customer visits and exhibitions taking place where it is safe to do so. Obviously, there are some countries around the world around where customer visits will not happen for some time.

Brexit

We also face the challenges of Brexit and have prepared plans but, until the final details of our future trading relationship with Europe are determined, it is difficult to assess the impact. In the first half of the year our sales to EU member states, excluding the UK, accounted for 9.5% of total sales and 36% of purchases. Anpario's products and processes comply with EU regulations and the Group will continue to supply the same high standard of products to all jurisdictions around the world.

Innovation and development

We have recently launched Orego-Stim® for the aquaculture market and early commercial trials in Latin America are very encouraging. Commercial production replacing commonly used antibiotics, are demonstrating the real potential to grow shrimp and fish in an antibiotic free manner. Additionally, we are seeing increased success with our eubiotic products where customers experience improved growth, reduced mortality and the resulting significant financial benefits. These positive developments are all being achieved from Anpario's development programme that is based around leveraging our existing technology in new markets and applications.

People
Our people have risen to the challenges presented by the exceptional circumstances resulting from the impact of COVID-19 and they have shown extraordinary resilience and commitment, the Company has not and does not expect to use any of the UK Governments financial support measures.

Anpario also recognises the heroic contribution made by NHS staff and key workers in recent months and as a way of expressing our thanks and giving back to our local communities, donations were made to local hospital charities. In addition, we have used our experience in international trade and logistics to source medical grade face masks for donation to local care homes in the collective effort to reduce the spread of COVID-19.

Outlook
Looking forward, we will continue the on-line and direct marketing tactics that produced such a strong first half performance. Additionally, we will be able to build upon new business gained from those competitors unable to supply during lock-down. As a result, we remain confident of continuing the profitable development of the Group.

Our strong balance sheet provides Anpario with the resources to expand our global reach and to undertake earnings enhancing and complementary acquisitions which may arise in these uncertain times.

Peter Lawrence
Chairman
9 September 2020

Financial review

Key performance indicators

	Note	**H1 2020 £000**	H1 2019 £000	change	% change
Revenue		**16,173**	14,285	1,888	13%
Gross profit		**8,492**	7,102	1,390	20%
Gross margin		**52.5%**	49.7%		
Adjusted EBITDA[1]	4	**3,393**	2,746	647	24%
Profit before tax		**2,378**	2,253	125	6%
Diluted adjusted earnings per share	6	**11.74p**	8.73p	3.01p	34%
Net assets		**36,539**	35,115	1,424	4%
Cash generated by operations		**1,350**	1,885	(535)	(28%)
Cash and cash equivalents		**13,170**	13,653	(483)	(4%)

Revenue and gross profits
Revenues for first half of the year rose by 13% to £16.2m (2019: £14.3m) as most segments of the business saw strong double-digit sales growth. At the same time gross margins also increased rising to 52.5% (2019: 49.7%), attributable to a number of factors including operational efficiencies from the automated bottling plant investment, continued changes in sales mix to focus on higher value-added products and an increase in the proportion of direct to end-customer sales. The revenue growth combined with increased margins led to a gross profit increase of 20% to £8.5m (2019: £7.1m).

Administrative expenses
Underling administrative expenses, which exclude foreign exchange variances, increased by 15% (£0.7m) in-line with a similar increase in sales. Included within this is £0.4m of incentive provisions in respect of the enhanced sales and profit in the first six months, these are contingent on full year performance. Employment costs also rose by £0.3m, reflecting a small number of headcount additions, inflationary increases and a reduction in the level of capitalised costs as internal R&D projects slowed due to COVID-19 and the availability of laboratories to progress trials.

Due to COVID-19 there has been a 49% reduction in travel costs and a net marketing expense reduction of 19% during the period. This equates to a saving of £0.3m and we will look to continue the positive aspects of the increased use of technology such as the speed and ease of communication and cost efficiencies that it brings.

The Group primarily trades with customers backed by credit insurance, but this is not always feasible and we are not immune to credit risk. We continue to monitor and assess our customers in relation to the changing macro-economic situation and impact of a tightening of financial liquidity. The prior year included a successful recovery of £0.1m of bad debt provisions, adding to the adverse administrative variance between periods. For the current period, beyond a generalised provision required by IFRS 9 to account for expected lifetime losses, we have not experienced any specific impairments.

Adverse foreign exchange variances included in administrative costs for the period totalled £0.5m, of which less than £0.1m related to realised losses. The remaining amount of £0.4m relates to an income statement charge due to the temporary fall in GBP against the USD and value of our hedging instruments in the period. Management considers these to continue to be highly effective as they meet the objectives our hedging strategy and protect against downside risk from adverse increases in the GBPUSD rate as well as allowing for some participation in upside risk from continued volatility, as is the case currently.

Profitability and earnings per share
Adjusted EBITDA[1] for the period increased by 24% to £3.4m (2019: £2.7m) as the 15% increase in underlying administrative expenses were outpaced by a higher 20% growth in gross profits. Diluted adjusted earnings per share increased by 34% to 11.74p per share (2019: 8.73p).

The aforementioned unrealised foreign exchange losses and higher depreciation charges led to a slightly smaller increase in profit before tax of 6% to £2.4m (2019: £2.3m). The tax charge for the period was impacted by the Governments decision to abandon planned reductions in corporation tax, resulting in an adjustment to deferred tax of £0.2m, this has been excluded from adjusted profit after tax. Basic earnings per share rose 2% to 9.31p per share (2019: 9.16p).

Cash flow and capital expenditure
Cash generated by operations for the period was £1.4m (2019: £1.9m). This is after increases in working capital of £2.0m (2019: £0.8m) related to our strategic response to the disruption caused by COVID. This involved stocking up our subsidiaries and distributor network to ensure continuity of supply through this period and achieve a competitive advantage.

Net cash used in investing activities decreased in the period to £0.6m (2019: £1.0m) as H1 2019 included spend on the plant automation project. Investments in the current period included amounts on plant and machinery investment for further efficiency and more flexibility in pack sizes and continued R&D and IP protection.

During the period a £1.0m share buyback programme was successfully completed, purchasing 297,346 ordinary shares at a volume weighted average price of 336.31p per share and resulting in net cash used in financing activities of £0.9m compared with £0.1m generated in 2019. Whilst this impacted cash balances reducing to £13.2m (Dec 2019: £13.8m) the Group maintains a strong balance sheet with increased net assets of £36.5m (Dec 2019: £35.6m).

Dividend
The Board has approved an interim dividend of 2.75p per share (2019: 2.50p) an increase of 10%. This dividend, payable on 27 November to shareholders on the register on 13 November, continues to reflect the Board's continued confidence in the Group and its ability to generate cash.

Consolidated statement of comprehensive income

for the six months ended 30 June 2020

	Note	six months to 30 June 2020 £000	six months to 30 June 2019 £000	year ended 31 December 2019 £000
Revenue	**3**	**16,173**	**14,285**	**29,046**
Cost of sales		(7,681)	(7,183)	(14,536)
Gross profit		**8,492**	**7,102**	**14,510**
Administrative expenses		(6,175)	(4,891)	(10,213)
Operating profit		**2,317**	**2,211**	**4,297**
Depreciation and amortisation		613	523	1,140
Adjusting items	4	463	12	243
Adjusted EBITDA	**4**	**3,393**	**2,746**	**5,680**
Net finance income	5	61	42	97
Profit before tax		**2,378**	**2,253**	**4,394**
Income tax		(478)	(371)	(679)
Profit for the period		**1,900**	**1,882**	**3,715**
Items that may be subsequently reclassified to profit or loss:				
Exchange difference on translating foreign operations		212	(43)	(121)
Cashflow hedge movements (net of deferred tax)		(307)	(75)	125
Total comprehensive income for the period		**1,805**	**1,764**	**3,719**
Basic earnings per share	6	9.31p	9.16p	18.10p
Diluted earnings per share	6	9.08p	8.88p	17.61p
Adjusted earnings per share	6	12.04p	9.01p	19.13p
Diluted adjusted earnings per share	6	11.74p	8.73p	18.61p

Consolidated statement of financial position

as at 30 June 2020

	Note	as at 30 June 2020 £000	as at 30 June 2019 £000	as at 31 December 2019 £000
Intangible assets	7	11,553	11,474	11,517
Property, plant and equipment	8	4,052	4,207	4,011
Right of use assets	9	145	280	184
Deferred tax assets		1,037	688	744
Derivative financial instruments		20	-	362
Non-current assets		**16,807**	**16,649**	**16,818**
Inventories	10	5,373	3,405	4,102
Trade and other receivables		6,874	5,767	5,539
Derivative financial instruments		-	6	119
Current income tax assets		-	-	-
Cash and cash equivalents		13,170	13,653	13,842
Current assets		**25,417**	**22,831**	**23,602**
Total assets		**42,224**	**39,480**	**40,420**
Lease liabilities		(34)	(213)	(121)
Derivative financial instruments		(152)	-	-
Deferred tax liabilities		(1,545)	(1,288)	(1,384)
Non-current liabilities		**(1,731)**	**(1,501)**	**(1,505)**
Trade and other payables		(3,565)	(2,368)	(3,206)
Lease liabilities		(116)	(70)	(67)
Derivative financial instruments		(201)	(112)	(2)
Current income tax liabilities		(72)	(314)	(86)
Current liabilities		**(3,954)**	**(2,864)**	**(3,361)**
Total liabilities		**(5,685)**	**(4,365)**	**(4,866)**
Net assets		**36,539**	**35,115**	**35,554**
Called up share capital		5,411	5,394	5,394
Share premium		10,996	10,849	10,849
Other reserves		(6,729)	(5,824)	(5,650)
Retained earnings		26,861	24,696	24,961
Total equity		**36,539**	**35,115**	**35,554**

Consolidated statement of changes in equity

for the six months ended 30 June 2020

	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Non-controlling interest £000	Total equity £000
Balance at 1 Jan 2019	**5,360**	**10,423**	**(5,449)**	**22,814**	**-**	**33,148**
Profit for the period	-	-	-	1,882	-	1,882
Currency translation differences	-	-	(43)	-	-	(43)
Cash flow hedge reserve	-	-	(75)	-	-	(75)
Total comprehensive income for the period	-	-	(118)	1,882	-	1,764
Issue of share capital	34	426	-	-	-	460
Joint-share ownership plan	-	-	(320)	-	-	(320)
Share-based payment adjustments	-	-	63	-	-	63
Transactions with owners	34	426	(257)	-	-	203
Balance at 30 Jun 2019	**5,394**	**10,849**	**(5,824)**	**24,696**	**-**	**35,115**
Profit for the period	-	-	-	1,833	-	1,833
Currency translation differences	-	-	(78)	-	-	(78)
Cash flow hedge reserve	-	-	200	-	-	200
Total comprehensive income for the period	-	-	122	1,833	-	1,955
Share-based payment adjustments	-	-	41	-	-	41
Deferred tax regarding share–based payments	-	-	11	-	-	11
Final dividend relating to 2018	-	-	-	(1,048)	-	(1,048)
Interim dividend relating to 2019	-	-	-	(520)	-	(520)
Transactions with owners	-	-	52	(1,568)	-	(1,516)
Balance at 31 Dec 2019	5,394	10,849	(5,650)	24,961	-	35,554
Profit for the period	-	-	-	1,900	-	1,900
Currency translation differences	-	-	212	-	-	212
Cash flow hedge reserve	-	-	(307)	-	-	(307)
Total comprehensive income for the year	-	-	(95)	1,900	-	1,805
Issue of share capital	17	147	-	-	-	164
Purchase of treasury shares	-	-	(1,004)	-	-	(1,004)
Share-based payment adjustments	-	-	20	-	-	20
Transactions with owners	17	147	(984)	-	-	(820)
Balance at 30 Jun 2020	**5,411**	**10,996**	**(6,729)**	**26,861**	**-**	**36,539**

Consolidated statement of cash flows

for the six months ended 30 June 2020

	Note	six months to 30 June 2020 £000	six months to 30 June 2019 £000	year ended 31 December 2019 £000
Operating profit for the period		2,317	2,211	4,297
Depreciation, amortisation and impairment	4	613	523	1,140
Loss on disposal of property, plant and equipment	8	-	-	70
Share-based payments		20	63	104
Fair value adjustment to derivatives		433	(75)	(332)
Operating cash flows before changes in working capital		**3,383**	**2,722**	**5,279**
Increase in inventories		(1,186)	657	(174)
(Increase)/decrease in trade and other receivables		(1,571)	(426)	(281)
Decrease in trade and other payables		724	(1,068)	(101)
Changes in working capital		**(2,033)**	**(837)**	**(556)**
Cash generated by operations		**1,350**	**1,885**	**4,723**
Income tax paid		(529)	(229)	(753)
Net cash from operating activities		**821**	**1,656**	**3,970**
Purchases of property, plant and equipment	8	(270)	(657)	(894)
Proceeds from disposal of property, plant and equipment		-	-	147
Payments to acquire intangible assets	7	(361)	(394)	(775)
Interest received	5	64	47	106
Net cash used in investing activities		**(567)**	**(1,004)**	**(1,416)**
Purchase of treasury shares		(1,004)	-	-
Joint share ownership plan		-	(320)	(320)
Proceeds from issuance of shares		164	460	460
Cash payments in relation to lease liabilities		(60)	(69)	(134)
Operating lease interest paid	5	(3)	(5)	(9)
Dividend paid to Company's shareholders		-	-	(1,568)
Net cash used in financing activities		**(903)**	**66**	**(1,571)**
Net (decrease)/increase in cash and cash equivalents		**(649)**	**718**	**983**
Effect of exchange rate changes		(23)	23	(53)
Cash and cash equivalents at the beginning of the period		13,842	12,912	12,912
Cash and cash equivalents at the end of the period		**13,170**	**13,653**	**13,842**

1. General information

Anpario plc ("the Company") and its Subsidiaries (together "the Group") produce and distribute natural feed additives for animal health, hygiene and nutrition. Anpario plc is a public company traded on the Alternative Investment Market ("AIM") of the London Stock Exchange and is incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS. The presentation currency of the Group is pounds sterling.

2. Basis of preparation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 30 June 2020.

The Group has presented its financial statements in accordance with International Financial Reporting Standards ("IFRS's"), as endorsed by the European Union, IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. Full details on the basis of the accounting policies used are set out in the Group's financial statements for the year ended 31 December 2019, which are available on the Company's website at www.anpario.com.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 18 March 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated interim financial information for the period ended 30 June 2020 is neither audited nor reviewed.

3. Operating segments

Management has determined the operating segments based on the information that is reported internally to the Chief Operating Decision Maker, the Board of Directors, to make strategic decisions. The Board considers the business from a geographic perspective and is organised into four geographical operating divisions: Americas, Asia, Europe, Middle-East and Africa (MEA) and Head Office.

All revenues from external customers are derived from the sale of goods and services in the ordinary course of business to the agricultural markets and are measured in a manner consistent with that in the income statement. Inter-segment revenue is charged at prevailing market prices or in accordance with local transfer pricing regulations.

The segment figures for the six months to 30 Jun 2019 and for the year ended 31 Dec 2019 have been restated. This is to reflect some reallocations between the segments, the Group totals for both periods are unchanged.

for the six months ended 30 Jun 2020	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Total segmental revenue	3,841	6,242	9,311	1,519	-	20,913
Inter-segment revenue	-	-	(4,740)	-	-	(4,740)
Revenue from external customers	**3,841**	**6,242**	**4,571**	**1,519**	**-**	**16,173**
Depreciation and amortisation	(2)	(31)	(2)	(2)	(576)	(613)
Net finance income	-	(1)	-	1	61	61
Profit before tax	**823**	**2,413**	**2,011**	**422**	**(3,291)**	**2,378**

for the six months ended 30 Jun 2019	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Total segmental revenue	3,339	4,877	5,817	2,397	-	16,430
Inter-segment revenue	-	-	(2,145)	-	-	(2,145)
Revenue from external customers	**3,339**	**4,877**	**3,672**	**2,397**	**-**	**14,285**
Depreciation and amortisation	(3)	(36)	-	(3)	(481)	(523)
Net finance income	-	(2)	-	1	43	42
Profit before tax	**782**	**1,501**	**1,600**	**745**	**(2,375)**	**2,253**

for the year ended 31 Dec 2019	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Total segmental revenue	6,802	10,839	12,843	4,195	-	34,679
Inter-segment revenue	-	-	(5,633)	-	-	(5,633)
Revenue from external customers	**6,802**	**10,839**	**7,210**	**4,195**	**-**	**29,046**
Depreciation and amortisation	(4)	(71)	-	(4)	(1,061)	(1,140)
Net finance income	-	(3)	-	2	98	97
Profit before tax	**1,268**	**3,620**	**3,240**	**1,285**	**(5,019)**	**4,394**

4. Alternative performance measures

In reporting financial information, the Group presents alternative performance measures (APMs), which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a subsitute for or superior to IFRS measures, provide depth and understanding to the users of the financial statements to allow for further assessment of the underlying performance of the Group.

The Board considers that adjusted EBITDA is the most appropriate profit measure by which users of the financial statements can assess the ongoing performance of the Group. EBITDA is a commonly used measure in which earnings are stated before net finance income, amortisation and depreciation. The Group makes further adjustments to remove items that are non-recurring or are not reflective of the underlying operational performance either due to their nature or the level of volatility.

The Group have determined for the final results of 2019 that it would further benefit the users of these financial statements to make adjustments for foreign exchange and disposals of property. For comparability, the figures for the first six months of 2019 have been adjusted accordingly. The original Adjusted EBITDA for the first six months to 30 June 2019 was £2,805,000. The restated figure for that period is reduced to £2,746,000 as that figure now excludes foreign exchange gains of £75,000 and adds back hedging valuation losses of £16,000.

	six months to 30 June 2020 £000	six months to 30 June 2019 £000	year ended 31 December 2019 £000
Operating profit	**2,317**	**2,211**	**4,297**
Share-based payments	29	71	124
Loss on disposal of property	-	-	61
Foreign exchange losses/(gains)	(55)	(75)	332
Foreign exchange hedging - Fair value movements	489	16	(274)
Total adjustments	**463**	**12**	**243**
Adjusted operating profit	**2,780**	**2,223**	**4,540**
Depreciation and amortisation	613	523	1,140
Adjusted EBITDA	**3,393**	**2,746**	**5,680**

	six months to 30 June 2020 £000	six months to 30 June 2019 £000	year ended 31 December 2019 £000
Adjusted operating profit	**2,780**	**2,223**	**4,540**
Income tax expense	(478)	(371)	(679)
Effect of changes to future tax rates	159	-	-
Income tax impact of adjustments	(5)	(1)	66
Adjusted profit after tax	**2,456**	**1,851**	**3,927**

5. Net finance income

	six months to 30 June 2020 £000	six months to 30 June 2019 £000	year ended 31 December 2019 £000
Interest receivable on short-term bank deposits	64	47	106
Finance income	**64**	**47**	**106**
Operating lease interest paid	(3)	(5)	(9)
Finance costs	**(3)**	**(5)**	**(9)**
Net finance income	**61**	**42**	**97**

6. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	six months to 30 June 2020	six months to 30 June 2019	year ended 31 December 2019
Profit for the year (£000's)	1,900	1,882	3,715
Weighted average number of shares in issue	20,399,790	20,537,797	20,529,625
Number of dilutive shares	522,281	664,383	570,500
Weighted average number for diluted earnings per share	20,922,071	21,202,180	21,100,125
Basic earnings per share	**9.31p**	**9.16p**	**18.10p**
Diluted earnings per share	**9.08p**	**8.88p**	**17.61p**

The calculation of the adjusted and diluted adjusted earnings per share is based on the following data:

	Note	six months to 30 June 2020	six months to 30 June 2019	year ended 31 December 2019
Adjusted profit attributable to owners of the Parent (£000's)	4	2,456	1,851	3,927
Weighted average number of shares in issue		20,399,790	20,537,797	20,529,625
Number of dilutive shares		522,281	664,383	570,500
Weighted average number for diluted earnings per share		20,922,071	21,202,180	21,100,125
Adjusted earnings per share		**12.04p**	**9.01p**	**19.13p**
Diluted adjusted earnings per share		**11.74p**	**8.73p**	**18.61p**

7. Intangible assets

	Goodwill £000	Brands £000	Customer relationships £000	Patents, trademarks and registrations £000	Development costs £000	Software and Licenses £000	Total £000
Cost							
As at 1 January 2020	5,960	3,673	786	1,786	866	708	13,779
Additions	-	-	-	69	261	31	361
Foreign exchange	-	-	-	(2)	-	-	(2)
As at 30 June 2020	**5,960**	**3,673**	**786**	**1,853**	**1,127**	**739**	**14,138**
Accumulated amortisation							
As at 1 January 2020	-	549	600	744	-	369	2,262
Charge for the year	-	91	30	140	-	62	323
As at 30 June 2020	**-**	**640**	**630**	**884**	**-**	**431**	**2,585**
Net book value							
As at 1 January 2020	5,960	3,124	186	1,042	866	339	11,517
As at 30 June 2020	**5,960**	**3,033**	**156**	**969**	**1,127**	**308**	**11,553**

8. Property, plant and equipment

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
Cost					
As at 1 January 2020	1,857	3,296	583	-	5,736
Additions	-	24	24	222	270
Foreign exchange	-	-	1	-	1
As at 30 June 2020	**1,857**	**3,320**	**608**	**222**	**6,007**
Accumulated depreciation					
As at 1 January 2020	253	1,135	337	-	1,725
Charge for the year	15	171	43	-	229
Foreign exchange	-	-	1	-	1
As at 30 June 2020	**268**	**1,306**	**381**	**-**	**1,955**
Net book value					
As at 1 January 2020	1,604	2,161	246	-	4,011
As at 30 June 2020	**1,589**	**2,014**	**227**	**222**	**4,052**

9. Right-of-use assets

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost				
As at 1 January 2020	304	47	28	379
Additions	10	-	-	10
Modification to lease terms	9	1	-	10
Disposals	-	(21)	(5)	(26)
Foreign exchange	6	-	-	6
As at 30 June 2020	**329**	**27**	**23**	**379**
Accumulated depreciation				
As at 1 January 2020	134	38	23	195
Charge for the year	55	5	1	61
Modification to lease terms	1	-	-	1
Disposals	-	(21)	(4)	(25)
Foreign exchange	2	-	-	2
As at 30 June 2020	**192**	**22**	**20**	**234**
Net book value				
As at 1 January 2020	170	9	5	184
As at 30 June 2020	**137**	**5**	**3**	**145**

10. Inventories

	six months to 30 June 2020 £000	six months to 30 June 2019 £000	year ended 31 December 2019 £000
Raw materials and consumables	2,178	1,470	1,996
Finished goods and goods for resale	3,195	1,935	2,106
Inventory	**5,373**	**3,405**	**4,102**