Judges Scientific plc

ANNUAL REPORT & ACCOUNTS | 2011

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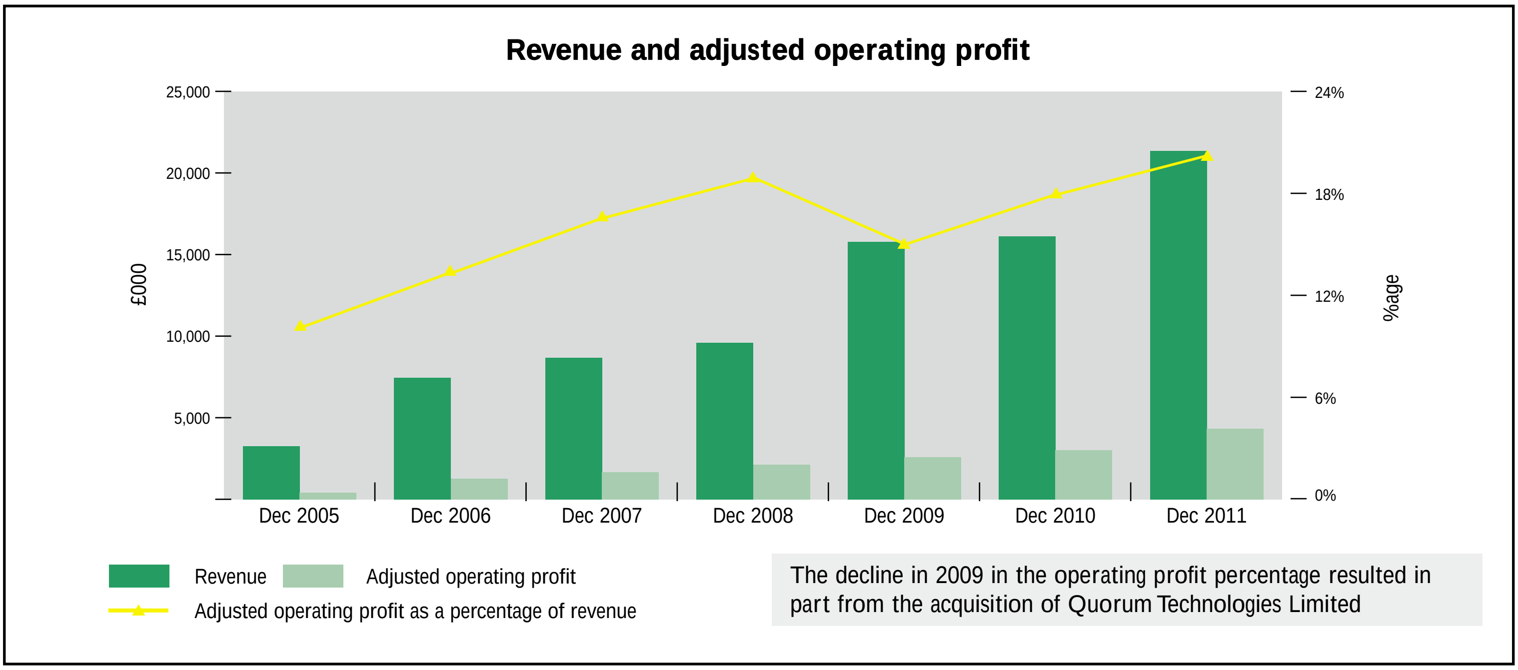
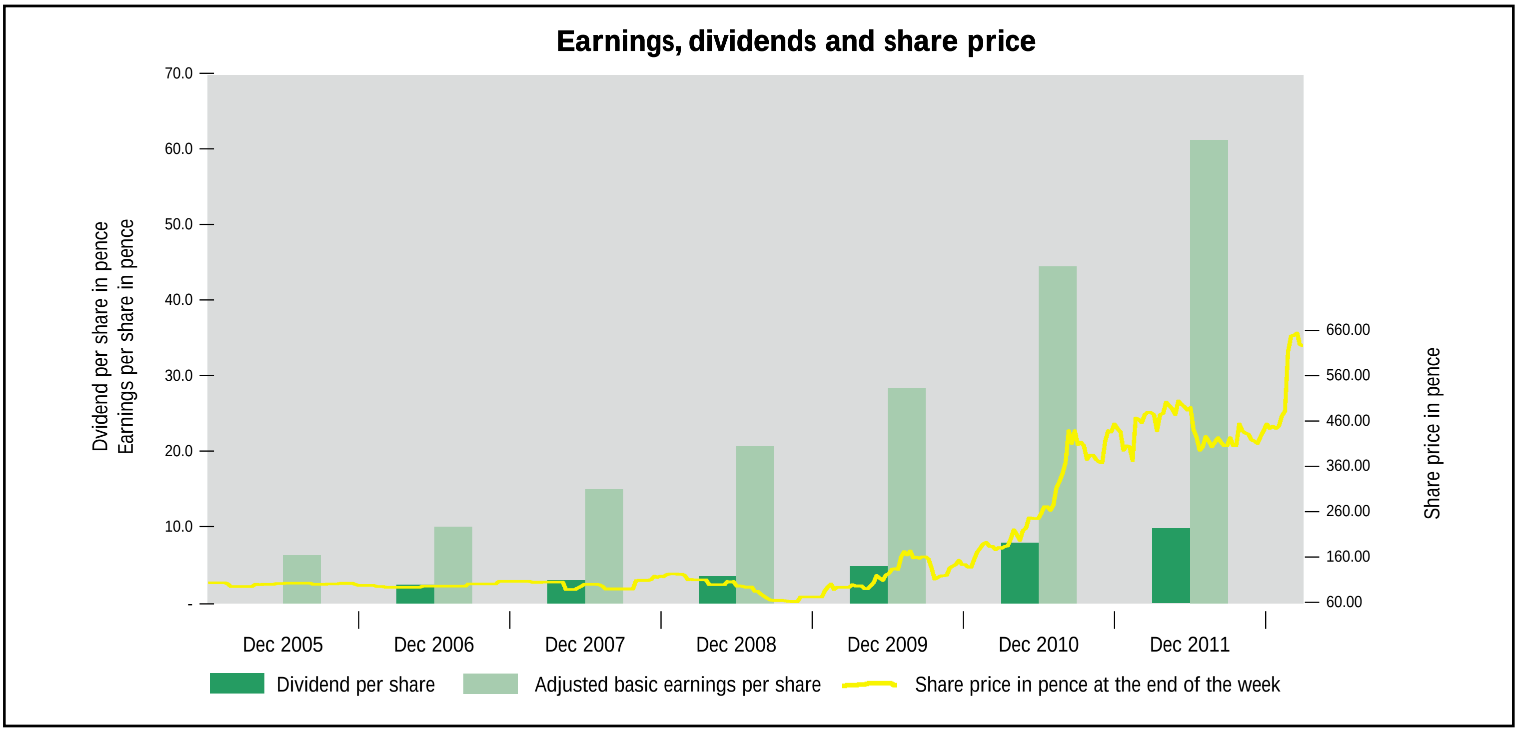
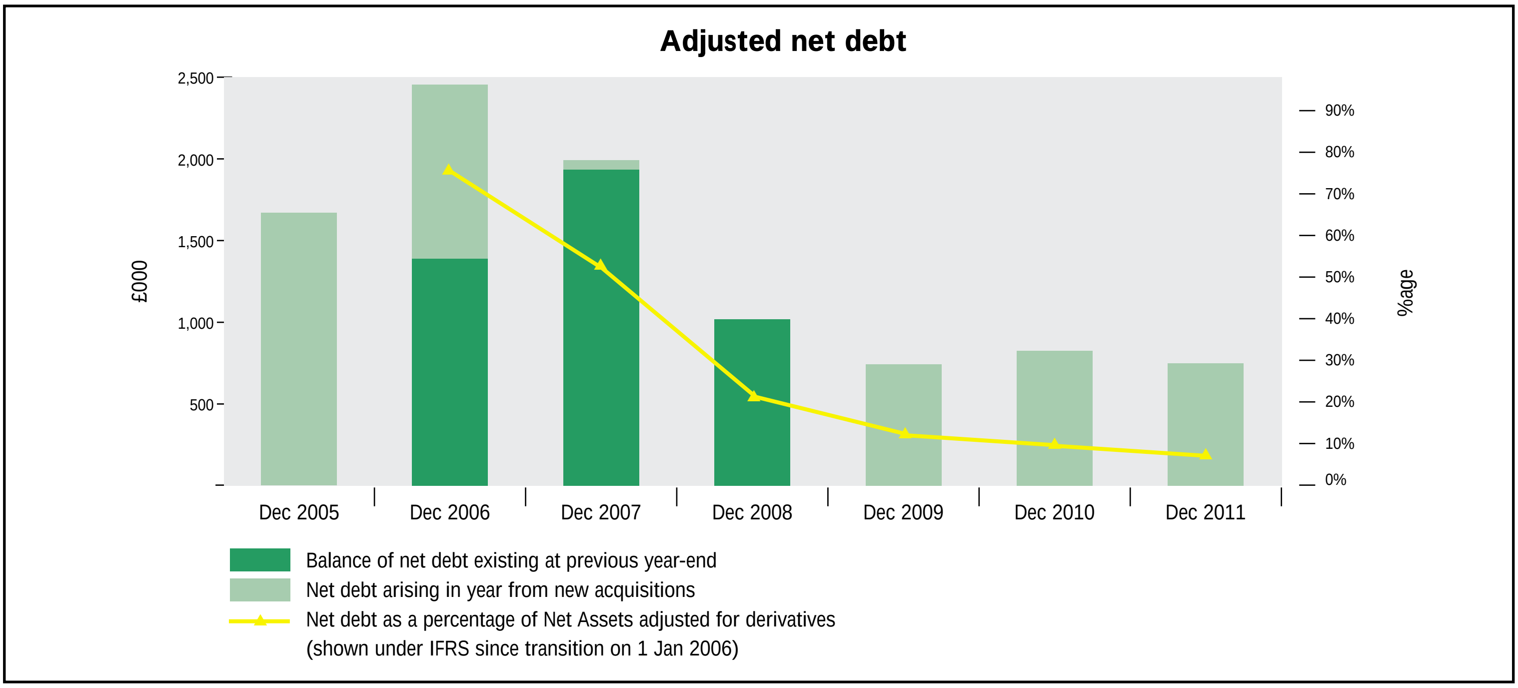
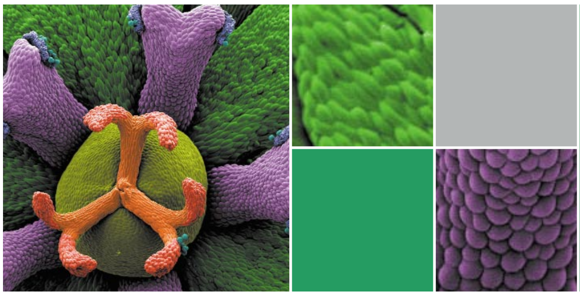
Front Page Image

A GDS Instruments triaxial cell allows pressure and load to be applied to soil and rock samples for the assessment of strength properties for the civil engineering industry.

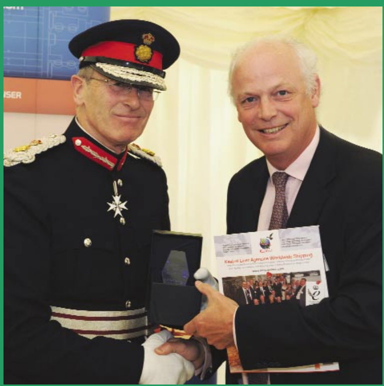

Revenue and adjusted operating profit
25,000
20,000
15,000
10,000
5,000
£000
24%
18%
12%
6%
0%
%age
Dec 2005
Dec 2006
Dec 2007
Dec 2008
Dec 2009
Dec 2010
Dec 2011
Revenue
Adjusted operating profit
Adjusted operating profit as a percentage of revenue
The decline in 2009 in the operating profit percentage resulted in part from the acquisition of Quorum Technologies Limited


Earnings, dividends and share price
70.0
60.0
50.0
40.0
30.0
20.0
10.0
-
Dvidend per share in pence
Earnings per share in pence
660.00
560.00
460.00
360.00
260.00
160.00
60.00
Share price in pence
Dec 2005
Dec 2006
Dec 2007
Dec 2008
Dec 2009
Dec 2010
Dec 2011
Dividend per share
Adjusted basic earnings per share
Share price in pence at the end of the week


Adjusted net debt
2,500
2,000
1,500
1,000
500
£000
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
%age
Dec 2005
Dec 2006
Dec 2007
Dec 2008
Dec 2009
Dec 2010
Dec 2011
Balance of net debt existing at previous year-end
Net debt arising in year from new acquisitions
Net debt as a percentage of Net Assets adjusted for derivatives
(shown under IFRS since transition on 1 Jan 2006)



CHAIRMAN'S STATEMENT



Judges' Chairman, Alex Hambro, with Her Majesty's Lord Lieutenant for East Sussex, Mr Peter Field on the occasion of UHV Design receiving the Queen's Award for Enterprise: International Trade

It is a privilege to be able to report record results for the sixth consecutive year.

The year ended 31 December 2011 saw Group revenues advance 30% from £16 million to £20.8 million. This reflects organic growth of 15% and includes a full year's contribution from Sircal and a maiden contribution from Deben.

Profit before tax, exceptional items and minorities, rose by 44% from £2.75 million in 2010 to a record £3.95 million, with the operating contribution of the businesses owned on 1 January 2010 growing by 10%. Basic earnings per share, before exceptional items, rose from 45p to 61p.

Exceptional items include the amortisation of intangible assets, acquisition expenses and a net accounting gain following a recovery under an insurance claim. They also reflect the difference in valuation, from one year-end to the next, of the Convertible Redeemable shares; after recording significant increases in 2010 and during the first half of 2011, the Company's share price declined in the summer, in line with the market, and finished the year with little progress, producing an accounting "loss" of £304,000. Your Board regards this as unrelated to the Group's operating performance and it is therefore treated as an exceptional item. Profit, including exceptional items but before tax and minorities, amounted to £2.89 million (2010: £0.67 million). This equates to basic earnings per share, including exceptional items, of 45.2p (2010: 8.1p). Fully diluted earnings per share, after exceptional items, amounted to 42.9p (2010: 7.8p).

Corporate activity

On 18 March 2011, the Group acquired a 51% interest in Deben UK Limited, a company which makes instruments used in electron microscopy. The vendors retained a 49% non-controlling interest in the acquisition vehicle. The purchase price in respect of 100% of Deben was £3.26 million. To finance the purchase, Lloyds Bank provided Bordeaux, the acquisition vehicle, with a £2.42 million loan, which is guaranteed by Judges. The Company did not issue any shares to finance the transaction.

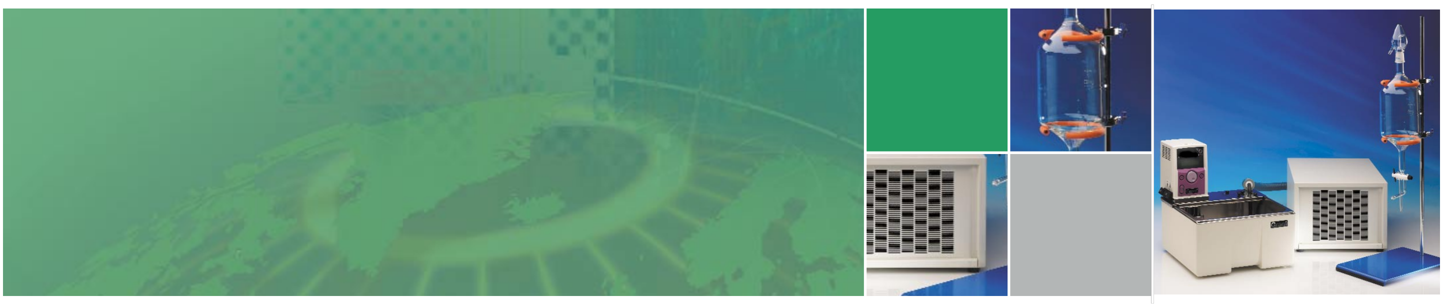
Post balance sheet, on 6 March 2012, Deben completed the purchase of the business of KE Developments Limited ("KED"). KED makes and sells accessories for electron microscopes to the same client base as Deben. The business was broadly breaking even and is not expected to contribute to Group profits until it is integrated into Deben during the course of 2012. Deben purchased KED's fixed assets for £40,000 and will pay deferred goodwill up to a maximum of £300,000 over five years, dependent upon the sales of KED products.

On 6 March 2012, Judges acquired the entire share capital of Global Digital Systems Limited ("GDS"). GDS designs, manufactures and sells instruments used to test the physical properties of soil and rocks; the client base is worldwide and consists of universities and commercial users servicing the civil engineering sector. The company achieved a 23% compound annual growth rate over the last five years and exports 83% of its production; it won a Queen's Award for Enterprise – International Trade in 2011. GDS generated adjusted EBIT of £1.27 million in 2011 and the £7.65 million purchase price was financed by an extension of the facilities provided by Lloyds Bank.

Trading

2011 represented another year of satisfactory trading for the Group. Order intake, sales and margins were healthy and cash generation was strong. The turbulence experienced within the global economy had no material impact on Judges' niche markets and sales held up well, even in continental Europe which accounts for a third of Group turnover. The more dynamic economies of the US and Asia yielded more progress. The task of updating a significant proportion of the Group's product offering continued.

The results of our operations during 2011 have enabled the Group modestly to increase its key Return On Total Invested Capital performance indicator from 44.8% to 46.2%. Inevitably, the acquisition of GDS will bring about a short-term reduction in this measure.



Financial position

Net debt as at 31 December 2011 stood at £1,227,000, or £730,000 excluding subordinated amounts owed to the minority shareholders of Bordeaux, compared with £788,000 as at the previous year-end. The Group's cash-flow proved sufficient to finance the purchase of Deben and the land in Laughton, East Sussex, upon which we are planning to build a new factory. As is customary, a significant proportion of our debt is denominated in foreign currency in order to hedge against the impact of exchange rate fluctuations on our export activities. Year-end cash balances progressed from £2.5 million to £4 million.

It gives the Board considerable pleasure to disclose that on 29 February 2012, the Group was in a net cash position (excluding subordinated debt to minority shareholders); this indicates that all the sums borrowed to purchase our operations since the Company's readmission in May 2005 had been repaid or were capable of being repaid out of positive cash balances. As a result of the acquisition of GDS the Group is again in a net debt position; to fund the acquisition, the Company's indebtedness was replaced by a £5 million term loan and a £4 million overdraft facility. The Bordeaux financing remained unchanged.

The Group has obtained planning permission for the factory development in Laughton and construction is expected to commence in the near future. Lloyds Bank has agreed in principle to lend up to £2 million secured on the Group's wholly-owned properties.

Dividends

Your Board is pleased to recommend a final dividend of 6.7p per share (2010: 5p per share) which, subject to approval at the forthcoming Annual General Meeting on 30 May 2012, will make a total distribution of 10p per share for 2011 (2010: 7.5p per share). Despite the proposed increase, the dividend total is still covered six times by adjusted earnings per share, unchanged from 2010.

The proposed final dividend will be payable on 6 July 2012 to shareholders on the register on 8 June 2012 and the shares will go ex-dividend on 6 June 2012.

Convertible Redeemable shares

The accounting treatment of the Convertible Redeemable shares has resulted in significant non-cash fluctuations in the Company's reported profits, to the discomfort of the investment community. The Board has attempted to minimise the impact by treating the resulting losses as exceptional items but the situation remains unsatisfactory. The Board therefore proposes to open a window of opportunity until December 2012 during which the holders could redeem for cash part or all of their Convertible Redeemable shares at a 15% discount to their theoretical conversion value. This would encourage holders to deal with these shares in advance of their final maturity in December 2014. Furthermore, the proposed mechanism would lessen the likelihood of market disturbance as, without this redemption option, holders might need to finance the conversion price through share sales. A resolution designed to amend the Company's Articles in order to give effect to this scheme will be proposed at the forthcoming AGM.

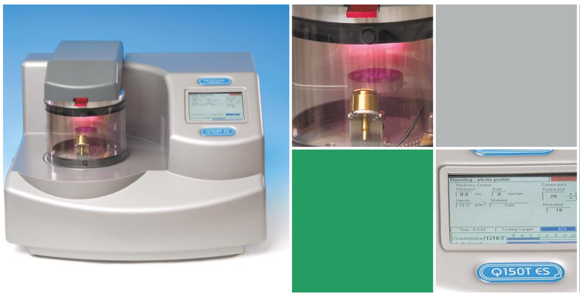
Share Incentive Plan

The Company is launching a Share Incentive Plan ("SIP") to enable all employees with a minimum 12 months' service to purchase shares in a tax efficient manner up to a value of £1,500 per annum, starting in April 2012. In the first tax year, the Company will match pound-for-pound individual employees' investments of up to £600. This will enable all those who work hard to support the Group's progress to have a share in the value they help to create. The Board hopes that many of the Group's employees will choose to participate in the scheme.

Current trading and prospects

The economic environment has shown little change during the past year and uncertainties persist, both in relation to efforts to reduce government spending in the developed world and with regard to the relative strength of Sterling. The Group has started 2012 with good order book visibility and a low level of debt; the acquisitions completed in March give your Directors confidence that 2012 will herald further progress in its trading position.

Alex Hambro
Chairman
Date: 28 March 2012



ACTIVITIES OF THE GROUP

Activities of the Group

The group specialises in the design and production of scientific instruments. Rapid 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.

Fire Testing Technology Limited

is the world leader in the design, manufacture and service of instruments that measure the reaction of a variety of materials to fire. The key products include Cone Calorimeters, NBS Smoke Chambers, the Oxygen Index apparatus and approximately 30 other reaction to fire instruments. Over the last 20 years FTT has developed its technology and expertise to become the benchmark in fire testing instrumentation. The company has helped develop many of the major fire test instruments used in international fire test standards during the last 10 years participating in British, International, CEN and ASTM standardisation committees. The products are sold worldwide to universities, fire research institutes, test houses and product manufacturers.

Sircal Instruments (UK) Limited

designs, manufactures and distributes rare gas purifiers typically for use in metal analysis utilising the spectrometry technique. This technique provides qualitative and quantitative analysis of a metallic sample for determination of its purity. The products are sold world-wide to OEM customers (spectrometer manufacturers that use such purifiers in conjunction with their own instruments) or directly to end users such as metal manufacturers and distributors and test houses.

PE.fiberoptics Limited

is a leading provider to the telecommunications industry of a wide range of specialised equipment designed to test the properties of fibre optic and fibre optic networks.

Quorum Technologies Limited

designs, manufactures and distributes instruments that prepare a wide range of specimens for examination in electron microscopes. The microscopes themselves typically sell for between $50,000 and $5 million. For this reason high quality preparation or preservation of specimens is crucial to the quality of the images and data obtained from these state-of-the-art instruments. Applications for the technology are to be found in virtually every scientific discipline, including all areas of life and materials sciences research, foods, polymers, oil exploration, pharmaceutical sciences and cutting-edge industrial technologies such as semiconductor production. Quorum's product range includes the market leading "Q" series of thin film coaters and the PP3000T cryogenic preparation system for scanning electron microscopy (SEM). Other products include an compact RF plasma asher/etcher and also critical point dryers and freeze dryers used for the controlled removal or stabilisation of water from specimens prior to examination in an SEM. The products are sold worldwide through specialist distributors or via electron microscope manufacturers.

Global Digital Systems Limited

designs, develops and manufactures equipment and software used for the computer-controlled testing of soils and rocks. This technology is used to evaluate the mechanical properties that are key in geotechnical and earthquake engineering design. GDS's products have been used in many world-renowned developments including the Three Gorges Dam in China, the Millau Viaduct in France, the Vasco da Gama Bridge in Portugal and, closer to home, Terminal Five at Heathrow and the new Crossrail links. GDS's products are used by top research institutes throughout the world, including the Indian Institute of Technology, Colorado School of Mines in the USA and the Hamburg University of Technology in Germany.

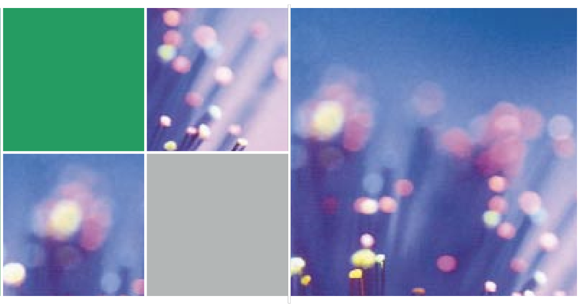
UHV Design Limited

specialises in the development and manufacture of precision instruments used in the high and ultra-high vacuum markets for materials research. The company's product portfolio includes high-performance motion devices such as magnetically-coupled rotary drives, linear and XYZ translators, sample transfer solutions, multi-axis cryogenic manipulators and high performance wafer heating stages. Products are built to the highest standards in clean room conditions to ensure quality and reliability. Customers are supported by a global distribution network and comprise universities, government laboratories (including the "big physics" experiments), OEMs and the semiconductor and industrial markets. Applications for the company's technologies include the growth / deposition of exotic high-tech materials, and state-of-the-art materials analysis techniques.

Deben UK Limited

designs, manufactures and sells scientific instrumentation, primarily for use in the Electron Microscopy sector. Some 50% of sales are to OEMs with the remainder being direct to universities, research laboratories, hospitals and industrial companies. Primary markets are UK, Europe, USA and Japan. With a wide distribution network, equipment is sold to all corners of the globe. OEM products include mechanical and electronic assemblies for stage control, specimen cooling and imaging on electron microscopes. Tensile testing stages allow in-situ observation of specimens under test and there is growing interest in using these stages with X-Ray, synchrotron and optical microscopy. The Deben acquisition of the business of KE Developments in March 2012 provides an extended product range in specimen imaging and access to further OEM customers with good potential for sales growth. Operating from a modern 10,0002ft factory near Bury St. Edmunds in Suffolk, Deben is ideally placed for further growth and expansion in coming years.

THE BOARD



The board of Judges Scientific plc
(From left to right)

Glynn Reece,
Non-Executive Director:
A qualified solicitor, he has specialised in providing Corporate Finance deal origination and advisory services, working for (inter alia) Coopers & Lybrand, Arthur Andersen and CLB, a specialist AIM firm. Currently a director and co-owner of Nathan Alexander Limited, a company that acts as a corporate stockbroker and an arranger of pre-flotation finance for small fast-growing companies. Aged: 53.

David Barnbrook,
Chief Operating Officer:
A Chartered Engineer with more than 20 years' experience as a Senior Manager and Director in sectors encompassing defence, instrumentation, aerospace and customer service. Aged: 59.

Ralph Cohen,
Finance Director:
Held various senior executive positions within the Vivendi Universal group between 1981 and 2001, having previously spent nine years at Ernst & Young. Subsequently founding partner of MC Consultancy Services. Aged: 64.

Alex Hambro,
Non-Executive Chairman:
An independent consultant for a number of private equity and venture capital fund management groups and family office investors advising his clients on the establishment of alternative investment funds and investment strategies. Aged: 51.

David Cicurel,
Chief Executive:
Founded Judges in 2002 having spent much of his career as a turnaround specialist and, subsequently, as an active private investor operating with own funds. Responsible for several corporate recovery exercises including two UK public companies: International Media Communications plc (later known as Continental Foods) and International Communication and Data plc. Aged: 62.

Ralph Elman,
Non-Executive Director:
A former finance director of quoted companies Paramount plc, Delyn plc and International Communication & Data plc and Finance Director of businesses within GUS plc and RR Donnelley. He was Senior Partner of accountancy firm Elman Wall and is non-executive Director of a number of private companies. He is Chairman of the Judges audit committee. Aged: 59.

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2011.

Principal activities

The company is the parent of a trading group involved in the design and manufacture of scientific instruments.

Business review

The group's activities continued to show resilience in 2011 in the face of a downturn in world trade, focused particularly on deteriorating confidence in the overall economic condition of the Eurozone area. On a like-for-like basis, increases were seen in 2011 in both revenues and profits. In addition to this organic growth, both Sircal Instruments (UK) Limited ("Sircal", acquired in March 2010) and Deben UK Limited ("Deben", in which a 51% interest was acquired in March 2011) performed fully in line with expectations. This combination of organic growth and earnings enhancement through acquisitions fuelled a 35% increase in earnings per share (undiluted, excluding exceptional items), following a 61% increase the year before.

A significant proportion of group output is sold to customers financed directly or indirectly by the public sector, albeit in a diversified portfolio of regions and countries. The immediate future holds challenges for the group's businesses as governments in many parts of the developed world struggle to bring public sector debt and spending under control. Movements in exchange rates also influence international competitiveness and trading margins. In this context, the modest strengthening of Sterling recently may have a dampening effect on profitability.

The company's business model calls for a steady increase in the scope of its operations, achieved both through acquisitions of companies operating in its chosen field of activity and through the ongoing performance of its established subsidiaries. In addition to the dilution of head office costs that results from acquisitions, the company closely monitors the return it derives on the capital invested in its subsidiaries. The annual rate of return on total invested capital ("ROTIC") is computed monthly, both overall and in respect of each subsidiary, by comparing attributable earnings excluding exceptional items and before interest, tax and amortisation ("EBITA") with the investment in property, plant and equipment, goodwill and other intangibles and net current assets (excluding surplus cash). In 2011, the overall return computed in this manner amounted to 46.2%, before taking account of parent company costs (other than foreign exchange losses resulting from the hedging of subsidiary companies' equivalent exposure) – (2010: 44.8%). New acquisitions are inevitably priced at multiples that dampen the ROTIC measure, at least in their early years; with this in mind, the directors view the 2011 ROTIC result with satisfaction.

- **Acquisitions:** the directors reported the acquisition on 18 March 2011 of a 51% interest in Deben, a company which designs, manufactures and sells devices used to enable or to improve the observation of objects under microscopes. Its trading performance since the acquisition has been entirely satisfactory. It is regarded as paramount that acquisitions are completed only when the directors are satisfied that the target business has sound long-term strength.

- **Post Balance Sheet Events – Acquisitions:** on 6 March 2012, the company acquired the entire issued share capital of Global Digital Systems Limited ("GDS"). GDS designs, manufactures and sells instruments used to test the physical properties of soil and rocks. Also on 6 March 2012 Deben completed the acquisition of the trade and certain assets of KE Developments Limited. Further details of these transactions are set out in note 32 to the consolidated financial statements.

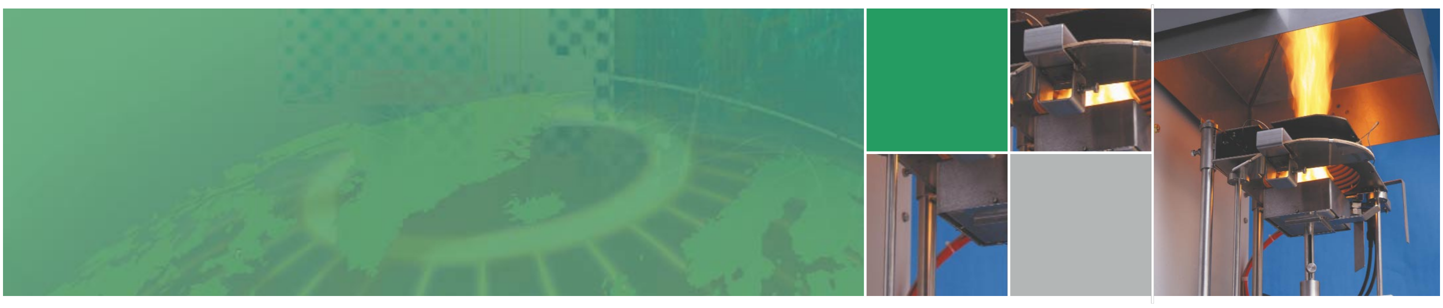
- **Ongoing performance:** the directors regard the trend of earnings per share (excluding exceptional items), reduction in net debt and the company's ability to pay dividends to its shareholders as key indicators of overall group performance. Undiluted earnings per share (excluding exceptional items) rose from 45.0p in 2010 to 61.0p in 2011; the directors consider undiluted earnings to be a better measure than diluted because, under current accounting standards, volatility in the share price affects the latter in a way that is not necessarily correlated with the company's performance. Net debt increased from £788,000 at 31 December 2010 to £1,227,000 at 31 December 2011, although if subordinated loans from non-controlling shareholders are excluded, net debt fell slightly to £730,000 despite the acquisition of Deben. Dividends totalling 10.0p per share (2010: 7.5p) will be recommended in respect of 2011 (including those that have already been paid at the interim stage); these are covered 5.4 times by earnings excluding the derivative charge (2010: 5.2 times) and 6.1 times (2010: 6.0 times) by earnings adjusted as set out in note 13 to the financial statements, despite the proposed 33% increase in the dividend.

  In addition to these trends and the above "ROTIC" measure for the rate of return on investments, the company measures the performance of its individual subsidiaries in a number of ways:

- **Revenue trends**
  - **The Materials Sciences group:** revenue rose by 8.5%, helped by the inclusion of a full year's trading at Sircal, which was acquired in March 2010 and which has traded strongly since.
  - **The Vacuum group:** revenues rose by 49.2%, driven by strong growth at Quorum Technologies Limited ("Quorum") and the acquisition in March 2011 of a 51% interest in Deben. The growth at Quorum followed the launch of an upgraded product range on the coaters side of the business. The Deben acquisition produced sales fully in line with expectations at the time of the acquisition.

Profitability

The group's adjusted EBITA margin progressed from 18.0% in 2010 to 19.9% in 2011, driven particularly by strong performance in the Materials Sciences group.



Cash generation and management

Cash generated from operations amounted to £4,750,000 (2010: £2,508,000). This benefited from a material increase in profits before exceptional items and in particular before the charge relating to the amortisation of intangible assets (largely arising from the Deben acquisition) which did not represent a cash flow item in the year. The investment in the Deben acquisition also resulted in outflows (net of inherited cash) of £2,967,000, largely financed by bank loans and the injection of subordinated loans by Judges and the non-controlling shareholders. Consolidated net debt at 31 December 2011, excluding the subordinated loan, amounted to £730,000 (2010: £788,000), a level considered by the directors to reflect encouraging financial strength.

Commercial risks and uncertainties

The group's customers are located in all parts of the globe and a major part of sales is to enterprises that are state-owned or closely tied to state spending. Accordingly, the prevailing uncertainties in the world economy, and particularly the borrowing constraints currently affecting many western nations, represent a risk to the group's prospects. In addition, the group's exporting subsidiaries are exposed to possible adverse impacts on the international competitiveness of their activities caused by fluctuations in exchange rates.

An important element of the group's business model is development through acquisition; the group is exposed to the risk of an insufficient availability of target companies of requisite quality and to the risk that an acquired company does not meet its expected profitability. The group manages this risk by maintaining relationships with organisations that market appropriate targets and by performing research into potential acquisitions.

Across all the group's activities lies the exposure to human resource shortages. This reflects the small niche-serving nature of the group's businesses and the impracticality at this stage of the group's development of providing significant back-up support in respect of key roles.

The principal drivers of the individual segments within the group, together with their individual commercial risks and uncertainties, are as follows:

- The Materials Sciences group supplies measurement equipment across both public and private sectors. The principal risks relate to the degree of funding available to public-sector customers. Sales to the private sector into industries with a history of cyclicality are at risk of periodic downturns in activity. Overall, the long-term growth of the business is supported by the development of related safety regulations internationally and by the globalisation of trade, as well as by maintaining a strong global presence;

- The Vacuum group designs and manufactures instruments to prepare samples for examination in electron microscopes and to create motion, heating and cooling within ultra high vacuum chambers. It is continuing to benefit from the buoyancy of the high-tech markets which it serves, though the directors consider that there is scope to improve the division's output and market share through technical innovation and increased production capability. The division is engaged in a high level of development work, with the attendant risk of technical failure or delays. The directors seek to mitigate this risk through the quality of the division's technical skills base and through its contractual arrangements with its customers. The degree of funding available to its public-sector customer base also represents a risk.

Financial risk management objectives and policies

The group utilises financial instruments, other than derivatives (see note 28), comprising borrowings, cash and cash equivalents and various other items such as trade receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The main risks arising from the group's financial instruments relate to interest rates, liquidity, credit and foreign currency exposure. The directors review and agree policies for managing each of these risks, which are described and evaluated in more detail in note 29 to the consolidated financial statements and which are summarised below. The policies have remained unchanged from previous years.

- **Interest rate risk**
  The group finances its operations through a mixture of bank borrowings (at floating rates), equity and retained profits. With net debt of just £730,000 at 31 December 2011 (excluding £497,000 of subordinated loans which do not bear interest), exposure to interest rate fluctuations is not considered to be a major threat to the group.
- **Liquidity risk**
  The group seeks to manage liquidity risk by ensuring that sufficient funds are available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through loans arranged at group level. Short term flexibility is achieved through the availability of overdraft facilities and through the significant cash balances that the group currently holds.
- **Credit risk**
  The group reviews the credit risk relating to its customers by ensuring, wherever possible, that it deals with long established trading partners, agents and government / university backed bodies, where the risk of default is considered low. Where considered appropriate, the group insists on up-front payment and requires letters of credit to be provided.
- **Currency risk**
  With exports representing a significant proportion of its sales, the main risk area to which the group is exposed is that of foreign currencies (principally US$ and Euros). The group adopts a strategy to hedge against this risk in whole or in part by maintaining a proportion of its bank loans in these currencies, although this does not represent a hedge under IAS 39. The directors review the value of this economic hedge on a regular basis. There remains, nevertheless, an ongoing threat to the group's competitive position in international markets from any sustained period of Sterling strength.

- **Price risk**
  The conversion terms of the Convertible Redeemable shares give rise to a derivative financial instrument, which is affected by fluctuations in the company's share price.

- **Cash flow risk**
  The group manages its cash flow through a mixture of working capital, bank borrowings (at floating rates), equity and retained profits. With net debt of just £730,000 (£1,227,000 including subordinated loans) and cash and cash equivalents at 31 December 2011 of £3,954,000 (2010: £2,542,000) cash flow is not considered to be a major threat to the group.

Capital management objectives

The group monitors capital on the basis of carrying amount of equity, less cash and cash equivalents as presented on the face of the balance sheet. The directors manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain its capital structure the group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The directors seek to maintain a conservative gearing position (17% at 31 December 2011, 2010: 15%) as they utilise bank funding to support their acquisition strategy.

The directors' capital management objectives are to ensure the group's ability to continue as a going concern and to provide an adequate return to shareholders. The parent and subsidiary companies' boards meet regularly to review performance and discuss future opportunities and threats with the aim of optimising sustainable returns and minimising risk.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The directors have taken note of guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements. The group's principal operating companies experienced a strong trading environment in 2011 and overall the group enjoys good visibility for 2012, albeit that the global economic environment remains uncertain. The directors consider the financial position of the group to be healthy, with cash balances at 31 December 2011 in excess of £3.95 million and net debt of just £1,227,000 (including subordinated loans). As a consequence, the directors believe that the parent company and the group are well placed to manage their business risks successfully despite the uncertainties surrounding the current economic outlook.

The directors have a reasonable expectation that the parent company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Results and dividends

The results for the financial year to 31 December 2011 are set out in the Consolidated Statement of Comprehensive Income. The company paid an interim dividend of 3.3p per Ordinary share on 4 November 2011. At the forthcoming Annual General Meeting, the directors will recommend payment of a final dividend for the year of 6.7p per Ordinary share to be paid on Friday 6 July 2012 to shareholders on the register on Friday 8 June 2012. The shares will go ex-dividend on Wednesday 6 June 2012.

Directors

The following directors have held office during the year:

Hon AR Hambro [1] - non-executive
Mr DE Cicurel
Mr D Barnbrook
Mr RL Cohen
Mr RJ Elman [1] - non-executive
Mr GC Reece [1] - non-executive

[1] Member of the audit and remuneration committees

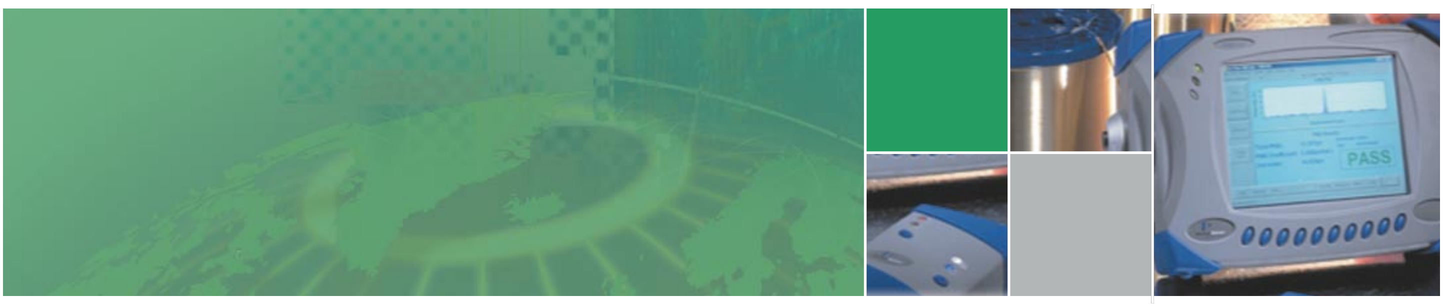
Directors' interests

The directors' interests in the Ordinary shares of the company were as stated below :

	Ordinary of 5p each			
	31 December 2011		1 January 2011	
	Shares	Options	Shares	Options
Hon AR Hambro	100,000	-	100,000	-
Mr DE Cicurel	538,841	-	526,356	-
Mr D Barnbrook	15,000	55,000	15,000	50,000
Mr RL Cohen	15,000	72,000	10,000	67,000
Mr RJ Elman	75,791	-	75,791	-
Mr GC Reece	3,000	-	3,000	-

Dividends paid in the year to directors who hold shares amounted to £57,000 in aggregate (2010: £45,000).

Details of share options are set out in note 24 to the financial statements.



In addition to the above holdings of Ordinary shares, the following directors had interests in the Convertible Redeemable share capital of the company:

	Convertible Redeemable of 1p each (quarter-paid)	
	31 December 2011	1 January 2011
	Shares	Shares
Hon AR Hambro	468,751	468,751
Mr DE Cicurel	3,439,641	4,166,667
Mr D Barnbrook	52,083	52,083
Mr RL Cohen	52,083	52,083
Mr RJ Elman	260,416	260,416

The conversion terms of the Convertible Redeemable shares and movements in the year are detailed in note 25 to the financial statements. Following a full conversion of the outstanding Convertible Redeemable shares to Ordinary shares, the directors' interests in the enlarged share capital of the company as at 31 December 2011 would have been as follows:

	Ordinary Shares
Hon AR Hambro	153,784
Mr DE Cicurel	933,500
Mr D Barnbrook	20,976
Mr RL Cohen	20,976
Mr RJ Elman	105,671
Mr GC Reece	3,000

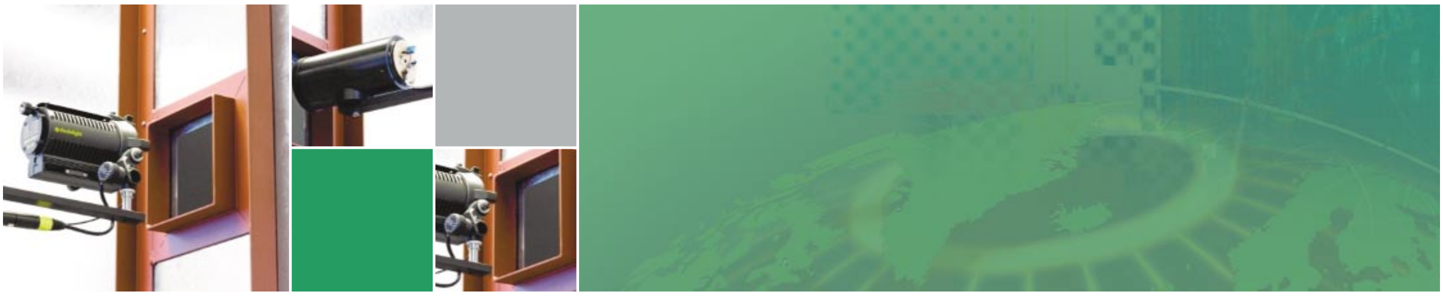
The directors have concluded that, on balance, the Convertible Redeemable shares and the accounting arrangements that now surround them have become a hindrance to a proper understanding of the group's affairs by investors and potential investors. In order to encourage holders to convert these shares before their final maturity date on 31 December 2014, a resolution will be proposed at the forthcoming Annual General Meeting to open a window of opportunity until 31 December 2012 during which holders will be able to redeem part or all of their shares at a discount of 15% to their theoretical conversion value.

There is a deemed Concert Party including David Cicurel and others which holds 28.1% of the Ordinary share capital. Certain authorities were granted in previous years through a Takeover Panel 'whitewash' in relation to any requirement on the Concert Party to make an offer pursuant to Rule 9 of the City Code on Takeovers and Mergers; these authorities remain in place to cover any conversion by members of the Concert Party of their Convertible Redeemable shares.

Directors' remuneration

The remuneration paid to or receivable by each person who served as a director during the year was as follows:

	Base salary/fees	Performance related bonus	Contribution to pension schemes	Benefits	2011 Total	2010 Total
	£000	£000	£000	£000	£000	£000
Executive Directors						
Mr DE Cicurel	125	25	-	3	153	126
Mr D Barnbrook	110	22	6	10	148	132
Mr RL Cohen	110	22	6	3	141	125
Non-Executive Directors						
Hon AR Hambro	25	-	-	-	25	14
Mr RJ Elman	15	-	-	-	15	12
Mr GC Reece	20	-	-	-	20	6
Total	405	69	12	16	502	415



Payment policy

The group's policy is to agree terms and conditions with suppliers before business takes place and to pay agreed invoices in accordance with the terms of payment. Trade creditor days of the company at the end of the year represented 18 days (2010: 24 days).

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the company and the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards or IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Information published on the website is accessible in many countries and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate governance

The directors have established an audit committee and a remuneration committee with formally delegated duties and responsibilities. The members of both committees are the non-executive directors.

The audit committee determines the terms of engagement of the company's auditor and, in consultation with the company's auditor, the scope of the audit. The audit committee has unrestricted access to the company's auditor. The remuneration committee has delegated authority to determine the scale and structure of the executive directors' remuneration and the terms of their service contracts. The remuneration of the non-executive directors is determined by the board as a whole.

Auditor

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

On behalf of the board

RL Cohen
Director and Company Secretary
Judges Scientific plc
Company registration number: 4597315
28 March 2012

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements of Judges Scientific plc for the year ended 31 December 2011 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

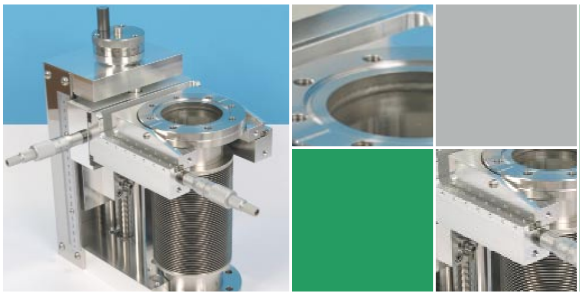
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Judges Scientific plc for the year ended 31 December 2011.

Paul Houghton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
28 March 2012



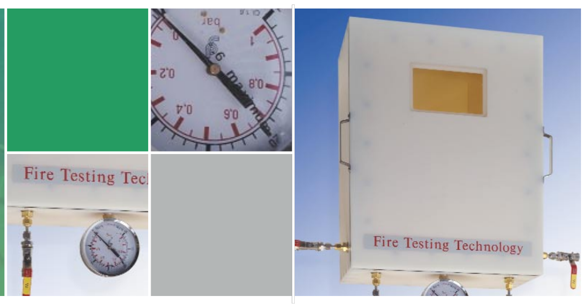
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2011 Before exceptional items £000	2011 Exceptional items £000	2011 Total £000	2010 Before exceptional items £000	2010 Exceptional items £000	2010 Total £000
Revenue	7	20,810	-	20,810	16,005	-	16,005
Operating costs excluding exceptional items	8	(16,677)	-	(16,677)	(13,123)	-	(13,123)
Operating profit excluding exceptional items		4,133	-	4,133	2,882	-	2,882
Exceptional items							
Amortisation of intangible assets	16	-	(1,155)	(1,155)	-	(254)	(254)
Net insurance recovery		-	596	596	-	-	-
Charge relating to derivative financial instruments	25	-	(304)	(304)	-	(1,752)	(1,752)
Acquisition costs	31	-	(196)	(196)	-	(77)	(77)
Operating profit/(loss)		4,133	(1,059)	3,074	2,882	(2,083)	799
Interest receivable	10	7	-	7	7	-	7
Interest payable	10	(195)	-	(195)	(137)	-	(137)
Profit/(loss) before tax		3,945	(1,059)	2,886	2,752	(2,083)	669
Taxation	11	(1,017)	210	(807)	(725)	556	(169)
Profit/(loss) and total comprehensive income for the year		2,928	(849)	2,079	2,027	(1,527)	500
Attributable to:							
Equity holders of the parent company		2,588	(668)	1,920	1,860	(1,527)	333
Non-controlling interest		340	(181)	159	167	-	167
Earnings per share – total and continuing							
Basic	13	61.0p	-	45.2p	45.0p	-	8.1p
Diluted	13	52.7p	-	42.9p	41.0p	-	7.8p

There are no items of other comprehensive income for the two years in question.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET



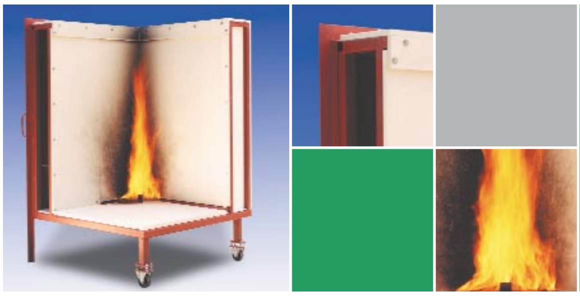
	Note	2011 £000	2010 £000
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,940	956
Goodwill	15	5,316	5,290
Other intangible assets	16	2,133	419
Deferred tax asset	23	-	348
		9,389	7,013
Current assets			
Inventories	17	2,052	1,923
Trade and other receivables	18	3,674	2,515
Cash and cash equivalents		3,954	2,542
		9,680	6,980
Total assets		19,069	13,993
LIABILITIES			
Current liabilities			
Trade and other payables	19	(3,465)	(2,730)
Derivative financial instruments	25	(1,739)	(1,752)
Current portion of long-term borrowings	20	(1,762)	(800)
Current tax payable		(851)	(550)
		(7,817)	(5,832)
Non-current liabilities			
Long-term borrowings	21	(3,419)	(2,530)
Deferred tax liabilities	23	(122)	-
		(3,541)	(2,530)
Total liabilities		(11,358)	(8,362)
Net assets		7,711	5,631
EQUITY			
Share capital	24	214	209
Share premium account		3,195	3,092
Capital redemption reserve		3	-
Merger reserve		475	475
Retained earnings		3,489	1,606
Equity attributable to equity holders of the parent company		7,376	5,382
Non-controlling interest		335	249
Total equity		7,711	5,631

The accompanying notes form an integral part of these consolidated financial statements.

The financial statements were approved by the board on 28 March 2012

D.E. Cicurel
Director

R.L. Cohen
Director



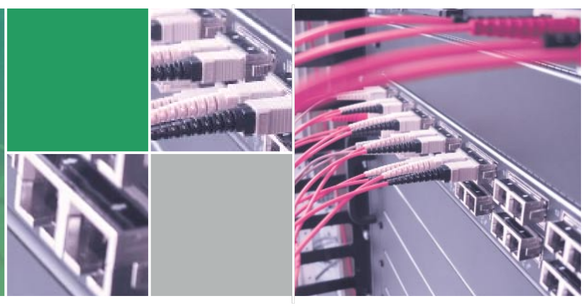
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Merger reserve £000	Retained earnings £000	Total* £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2011		209	3,092	-	475	1,606	5,382	249	5,631
Dividends	12	-	-	-	-	(351)	(351)	(73)	(424)
Issue of share capital	24	5	103	-	-	-	108	-	108
Arising on conversion of Convertible Redeemable shares	25	-	-	3	-	314	317	-	317
Transactions with owners		5	103	3	-	(37)	74	(73)	1
Profit for the year		-	-	-	-	1,920	1,920	159	2,079
Total comprehensive income for the year		-	-	-	-	1,920	1,920	159	2,079
Balance at 31 December 2011		214	3,195	3	475	3,489	7,376	335	7,711
Balance at 1 January 2010		202	2,959	-	475	1,532	5,168	165	5,333
Dividends	12	-	-	-	-	(259)	(259)	(83)	(342)
Issue of share capital	24	7	133	-	-	-	140	-	140
Transactions with owners		7	133	-	-	(259)	(119)	(83)	(202)
Profit for the year		-	-	-	-	333	333	167	500
Total comprehensive income for the year		-	-	-	-	333	333	167	500
Balance at 31 December 2010		209	3,092	-	475	1,606	5,382	249	5,631

* - Total represents amounts attributable to equity holders of the parent company.

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT



	2011 £000	2010 £000
Cash flows from operating activities		
Profit after tax	2,079	500
Adjustments for:		
Charge relating to derivative financial instruments	304	1,752
Depreciation	170	151
Amortisation of intangible assets	1,155	254
Loss on disposal of property, plant and equipment	-	11
Foreign exchange losses on foreign currency loans	3	4
Interest receivable	(7)	(7)
Interest payable	195	137
Tax expense recognised in income statement	807	169
Decrease/(increase) in inventories	220	(638)
Increase in trade and other receivables	(577)	(651)
Increase in trade and other payables	401	826
Cash generated from operations	4,750	2,508
Interest paid	(190)	(136)
Tax paid	(1,136)	(930)
Net cash from operating activities	3,424	1,442
Cash flows from investing activities		
Paid on acquisition of new subsidiary	(4,622)	(1,316)
Gross cash inherited on acquisition	1,655	481
Acquisition of subsidiaries, net of cash acquired	(2,967)	(835)
Payment of deferred consideration	-	(300)
Purchase of property, plant and equipment	(579)	(207)
Proceeds from disposal of equipment	-	12
Interest received	7	7
Net cash used in investing activities	(3,539)	(1,323)
Cash flows from financing activities		
Proceeds from issue of share capital	108	140
Repaid on conversion of Convertible Redeemable shares	(1)	-
Repayments of borrowings	(1,075)	(415)
Proceeds from bank loans	2,422	1,000
Issue/(repayment) of loan notes	497	(500)
Dividends paid – equity share holders	(351)	(259)
Dividends paid – non-controlling interest in subsidiary	(73)	(83)
Net cash from/(used in) financing activities	1,527	(117)
Net increase in cash and cash equivalents	1,412	2
Cash and cash equivalents at beginning of year	2,542	2,540
Cash and cash equivalents at end of year	3,954	2,542

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Judges Scientific plc is the ultimate parent company of the group, whose principal activities comprise the design, manufacture and sale of scientific instruments.

2. Registered office

The address of the registered office and principal place of business of Judges Scientific plc is Unit 19, Charlwoods Road, East Grinstead, West Sussex RH19 2HL.

3. Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which are carried at fair value.

Being listed on the Alternative Investment Market of the London Stock Exchange, the company is required to present its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Accordingly, these financial statements have been prepared in accordance with the accounting policies set out below which are based on the IFRS in issue as adopted by the European Union (EU) and in effect at 31 December 2011.

4. Use of accounting estimates and judgements

Many of the amounts included in the consolidated financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the consolidated financial statements and the key areas are summarised below:

Judgements in applying accounting policies:

- the directors must judge whether all of the conditions required for revenues to be recognised in the income statement of the financial year, as set out in note 6.4 below, have been met;

Sources of estimation uncertainty:

- depreciation rates are based on estimates of the useful lives and residual values of the assets involved (see note 6.6);
- estimates of future profitability are required for the decision whether or not to create a deferred tax asset (see note 23);
- estimates are required as to intangible asset carrying values and goodwill impairment charges. These are assessed by reference to budgeted profits and cash flows for future periods for the relevant income generating units and an estimate of their values in use (see notes 15 and 16)
- warranty provisions are based on estimates of the likely cost of repairing or replacing faulty units

5. Changes in accounting policies

5.1 Standards adopted for the first time

The group has adopted IAS 24 Related Party Disclosures (Revised 2009) in its consolidated financial statements, and it has been applied prospectively. The revised standard introduces changes to the definition of related parties. There is no immediate effect on the group's financial statements.

5.2 Standards, amendments and Interpretations to existing Standards that are not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

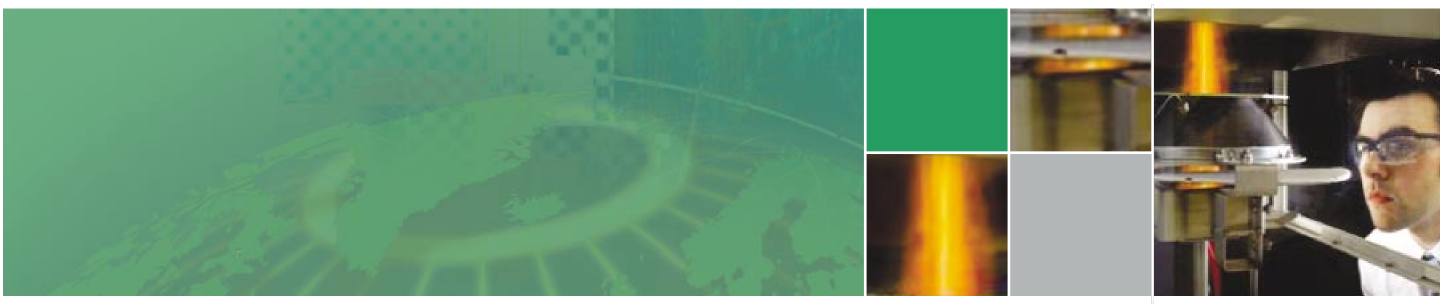
Management anticipates that all of the pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. None of these new standards, amendments and interpretations are expected to have a significant impact on the group's financial statements.

IFRS 9 Financial Instruments (effective 1 January 2015)
IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 13 Fair Value Measurement (effective 1 January 2013)
IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011)
Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)
Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)
Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)

6. Accounting policies

6.1 Basis of consolidation

The consolidated financial statements include those of the parent company and its subsidiaries, all drawn up to 31 December 2011. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from their activities. The group obtains and exercises control through voting rights. Income, expenditure, unrealised gains and intra-group balances arising from transactions within the group are eliminated. Unrealised losses are also eliminated unless the transaction provides



evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. In the case of acquisitions after 31 December 2005, goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Acquisition-related transaction costs are recorded as an expense in the income statement.

The parent company is entitled to the merger relief that was offered by section 131 of the Companies Act 1985 in respect of the fair value of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Fire Testing Technology Limited and UHV Design Limited.

6.2 Business combinations completed prior to the date of transition to IFRS

The group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition to IFRS on 1 January 2006. Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at the date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amounts immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Amounts recorded as goodwill under UK GAAP have not been re-assessed to identify intangible assets. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

6.3 Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired, is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Negative goodwill (where the fair value of net assets acquired exceeds the purchase price) is recognised immediately after acquisition in the income statement.

The carrying value of negative goodwill at the date of transition has been credited to reserves. There is no re-instatement of goodwill or negative goodwill that was amortised prior to transition to IFRS.

6.4 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the group, excluding Value Added Tax, and is recognised when all the following conditions have been satisfied:

- Sale of instruments and spares are recognised on point of despatch to the customer;
- Income from services such as installation, support, training or consultancy is recognised when the service is performed;
- the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably; and
- it is probable that the economic benefits associated with the transaction will flow to the group.

Interest income is recognised using the effective interest method which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. Dividend income is recognised when the shareholder's right to receive payment is established.

6.5 Intangible assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the group.

Amortisation charges are included as adjusting items in operating costs in the income statement. Amortisation begins when the intangible asset is first available for use and is provided at rates calculated to write off the cost of each intangible asset over its expected useful life, as follows:

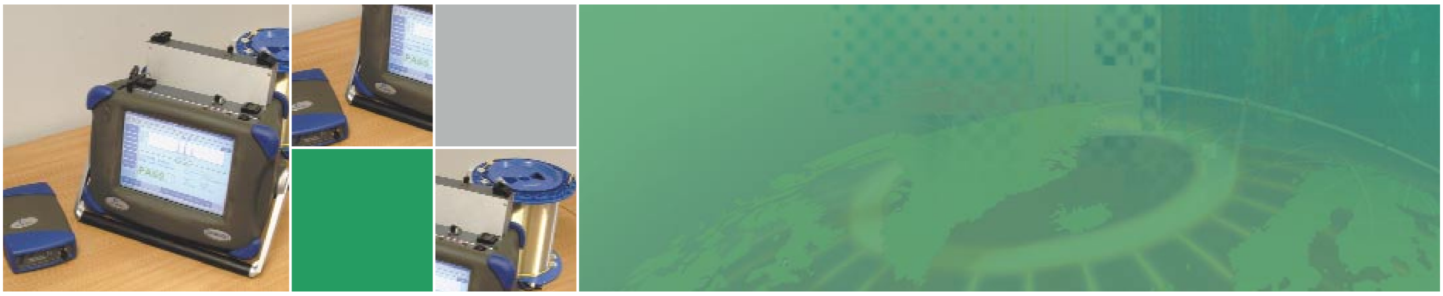
Customer relationships	Between 2 and 3 years
Non-competition agreements	5 years
Distribution agreements	3 years
Research and development	5 years
Sales order backlog	On shipment
Advertising	Between 1 and 3 years
Domain names	5 years

Subsequent to initial recognition, intangible assets are stated at deemed cost less accumulated amortisation and impairment charges.

6.6 Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Disposal of assets: the gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.



Depreciation: Depreciation is provided at annual rates calculated to write off the cost less residual value of each asset over its expected useful life, within the following ranges:

- Property: 2% straight-line on cost of buildings (excluding the estimated cost of land)
- Plant and machinery: 15% on written down value to 25% straight-line on cost
- Fixtures, fittings and equipment: 15% on written down value to 33% straight-line on cost
- Motor vehicles: 25% on written down value to 25% straight-line on cost
- Building improvements: over the minimum life of the lease

Material residual value estimates and expected useful lives are updated as required but at least annually.

6.7 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on estimated future cash flows from each cash-generating unit, discounted at a suitable rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures is directly linked to the group's latest approved budgets, adjusted as necessary to exclude any future restructuring to which the group is not yet committed. Discount rates are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the directors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Impairment charges are included in operating costs in the income statement. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

6.8 Leases

For finance leases, in accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised as an asset in the balance sheet at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the period of the lease term. Lease incentives are spread over the term of the lease.

6.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using the first-in, first-out cost formula. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity.

6.10 Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of those temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except

- where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity, or
- where items are recognised in other comprehensive income, in which case the related deferred tax is recognised in other comprehensive income.

6.11 Share-based payments

IFRS 2 has been applied, in accordance with IFRS 1 and where the effect is material, to equity-settled share options granted on or after 7 November 2002 and not vested prior to 1 January 2006.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement, with a corresponding credit to "other reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. The impact of the revision of the original estimates, if any, is recognised in the income statement over the remaining vesting period, with a corresponding adjustment to the appropriate reserve. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

6.12 Financial assets

Financial assets (other than cash) are assigned to relevant categories by management on initial recognition, depending on the purpose for which they were acquired. At the balance sheet date, the group held only loans and receivables.

All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument. Loans and receivables are recognised initially at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in operating costs in the income statement.

Provision against trade and other receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

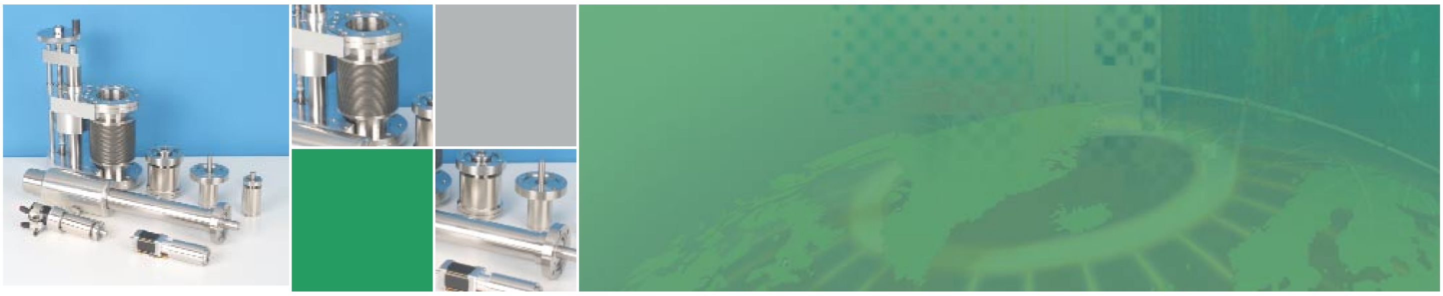
A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the group transfers substantially all the risks and rewards of ownership of the asset, or if the group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

6.13 Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value net of direct issue costs if they are not held at fair value through profit and loss. Derivatives are recorded at fair value through profit or loss. The fair value of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

All financial liabilities with the exception of Convertible Redeemable shares (see paragraph 6.19) are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. These financial liabilities include trade and other payables and borrowings, including bank loans, subordinated loans and hire purchase commitments. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.



6.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

6.15 Pensions

Companies in the group operate defined contribution pension schemes for employees and directors. The assets of the schemes are held by investment managers separately from those of the group. The pension costs charged against profits are the contributions payable to the schemes in respect of the accounting period.

6.16 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the income statement in the period in which they arise.

6.17 Dividends

Dividend distributions payable to equity shareholders are included in trade and other payables when the dividends are approved in general meeting but not paid prior to the balance sheet date.

6.18 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Capital redemption reserve" represents amounts set aside from retained earnings on conversion of Convertible Redeemable shares equal to the reduction then arising in the overall nominal value of share capital of all classes.
- "Merger reserve" represents the fair value of the consideration received in excess of the nominal value of equity shares issued in connection with acquisitions where the company has exercised entitlement to the merger relief that was offered by section 131 of the Companies Act 1985.
- "Retained earnings" represents retained profits and losses.
- "Revaluation reserve" represents gains and losses due to the revaluation of certain financial assets.
- "Non-controlling interest" represents retained profits and losses attributable to minority shareholders in subsidiary companies.

6.19 Convertible Redeemable shares

Under the terms of IAS 39 Financial Instruments – Recognition and Measurement, the Convertible Redeemable shares in the company are deemed to represent embedded derivative financial instruments. As such, it is a requirement that they be fair-valued at each accounting date, with changes in fair-value being recognised through the Income Statement. The fair value is calculated with reference to the market price of the company's Ordinary shares and the exercise price. In accordance with IAS 32 Financial Instruments: Presentation, on conversion the fair value of the Convertible Redeemable shares converted is transferred directly to equity.

6.20 Exceptional items

The fair value charge for the Convertible Redeemable shares (see note 25) and the related deferred tax asset represent accounting adjustments reflecting fluctuations in the company's share price rather than the underlying trading performance of the group. As such the directors have concluded that they should be treated as exceptional items for the purposes of presenting results and earnings per share figures. Exceptional items are those which by their size or nature are considered by the directors to be necessary to be disclosed separately so as to inform users of the financial statements.

7. Segment reporting

7.1 Identification of reportable segments

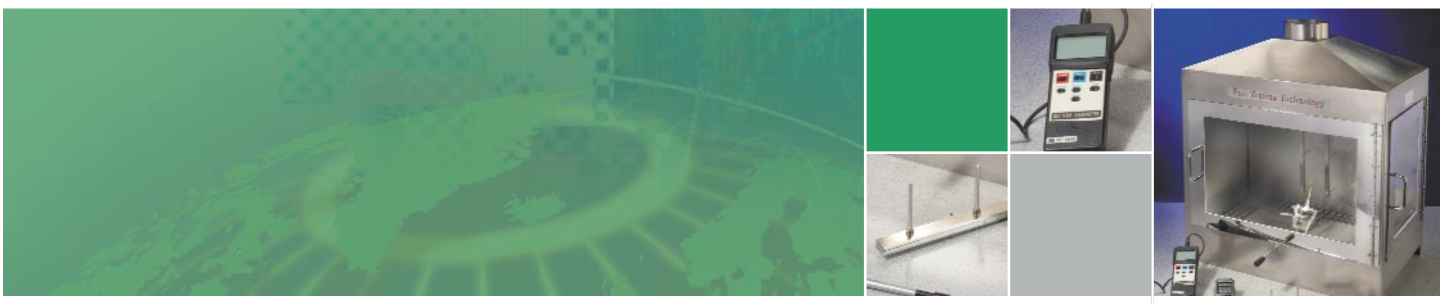
The group's activities are predominantly in or in support of the design and manufacture of scientific instruments. The group operates two main business segments: the Materials Sciences group and the Vacuum group. The group has changed its reportable segments from the prior year and the comparative segment disclosure has therefore been restated.

7.2 Management of operating segments

Each of the operating segments is managed independently, each range of instruments having its individual requirements in terms of design, manufacture and marketing.

7.3 Measurement policies

The results of operating segments are prepared by reference to their contributions to group earnings before interest, tax and exceptional items ("group EBITA"). This is stated before the allocation of head office costs and after elimination of non-controlling interest. Assets and liabilities directly attributable to the activities of the operating segments are included in their respective balance sheets; corporate assets and liabilities held by the parent company are not allocated to subsidiaries.



7.4 Segment analysis

Segment analysis is as follows:

2011	Materials Sciences £000	Vacuum £000	Total £000
Consolidated group revenues from external customers	8,177	12,633	20,810
Contributions to group EBITA	2,298	2,083	4,381
Depreciation	37	126	163
Amortisation of intangible assets	24	1,131	1,155
Segment assets	3,211	6,150	9,361
Segment liabilities	1,564	5,212	6,776
Intangible assets – goodwill	4,664	652	5,316
Other intangible assets	29	2,104	2,133
Additions to non-current assets	30	3,568	3,598

2010	Materials Sciences £000	Vacuum £000	Total £000
Consolidated group revenues from external customers	7,538	8,467	16,005
Contributions to group EBITA	1,838	1,561	3,399
Depreciation	44	99	143
Amortisation of intangible assets	26	228	254
Segment assets	2,933	4,005	6,938
Segment liabilities	1,711	1,986	3,697
Intangible assets – goodwill	4,664	626	5,290
Other intangible assets	53	366	419
Additions to non-current assets	926	154	1,080

Segmental revenue is presented on the basis of the destination of the goods where known, failing which on the geographical location of customers. Segment assets are based on the geographical location of assets.

	2011		2010	
	Revenue £000	Non-current assets £000	Revenue £000	Non-current assets £000
United Kingdom (domicile)	2,660	9,389	1,899	6,665
Rest of Europe	7,164	-	5,916	-
United States/Canada	3,635	-	2,514	-
Rest of the world	7,351	-	5,676	-
Total	20,810	9,389	16,005	6,665

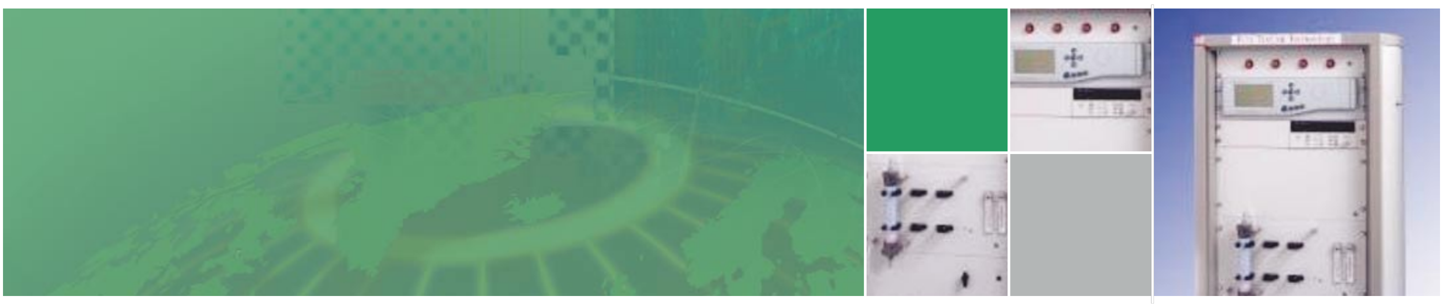
7.4 Segment analysis - continued

Reconciliations between totals presented by operating segment and the group's consolidated figures are as follows:

	2011	2010
	£000	£000
Contribution to group EBITA		
Total contribution to group EBITA	4,381	3,399
Expenses not allocated	(731)	(737)
Exceptional items		
Net insurance recovery	596	-
Charge relating to derivative financial instruments	(304)	(1,752)
Amortisation of intangible assets	(1,155)	(254)
Acquisition costs attributable to group	(110)	(77)
Acquisition costs attributable to non-controlling interest	(86)	-
Acquisition costs expensed	(196)	(77)
Elimination of non-controlling interest adjustment in contribution to group EBITA	483	220
Operating profit after exceptional items	3,074	799
Interest receivable	7	7
Interest payable	(195)	(137)
Profit before tax	2,886	669
Depreciation		
Total segment depreciation charge	163	143
Head office depreciation not allocated	7	8
Consolidated depreciation charge	170	151
Segment assets and liabilities		
Total segment assets	9,361	6,938
Parent company assets	3,396	3,062
Assets eliminated on consolidation	(1,733)	(2,064)
Other assets - goodwill	5,316	5,290
Other assets - intangible assets	2,133	419
Net insurance recovery	596	-
Deferred tax	-	348
Consolidated total assets	19,069	13,993
Total segment liabilities	6,776	3,697
Parent company liabilities	2,829	3,536
Derivative financial instruments	1,739	1,752
Liabilities eliminated on consolidation	(1,722)	(2,042)
Acquisition related loans	1,316	1,316
Other liabilities	320	119
Convertible Redeemable shares	11	12
Deferred tax	89	(28)
Consolidated total liabilities	11,358	8,362

Revenues are derived from the sales of manufactured products; revenues from installation and support services are not material. There are no major customers which make up 10% or more of the group's revenues.

Expenses not allocated comprise head office costs. Parent company assets include £562,000 (2010: £569,000) in respect of a freehold property partly let at open market value to a member of the Materials Sciences segment.



8. Operating costs

	2011 £000	2010 £000
Raw materials and consumables	8,529	6,316
Other external charges	2,433	1,959
Staff costs (note 27)	5,545	4,697
Depreciation	170	151
Other operating costs, excluding exceptional items	16,677	13,123
Charge relating to derivative financial instruments	304	1,752
Net insurance recovery	(596)	-
Amortisation of intangible assets	1,155	254
Acquisition costs	196	77
Total operating costs, including exceptional items	17,736	15,206

9. Operating profit

	2011 £000	2010 £000
Operating profit is stated after charging:		
Loss on disposal of property, plant and equipment	-	11
Fees payable to the company's auditor		
for the audit of the company's annual accounts	20	21
Fees payable to the company's auditor for other services:		
for the audit of the company's subsidiaries, pursuant to legislation	51	43
for tax services	11	10
for corporate finance transactions	28	14
for all other services	15	21
Depreciation	170	151
Loss on foreign exchange	115	85
Amortisation of intangible assets	1,155	254
Operating lease rentals - land and property	249	224
Operating lease rentals - vehicles	24	23

10. Interest receivable and payable

	2011 £000	2010 £000
Interest receivable - short-term bank deposits	7	7
Interest payable - bank and hire purchase loans	(195)	(132)
Interest payable - loan notes	-	(5)
	(195)	(137)
Net interest payable	188	130

11. Taxation

	2011 £000	2010 £000
UK corporation tax at 26.5% (2010: 28%) - current year		
Current year	1,168	775
Prior years	(44)	(48)
	1,124	727
Deferred tax - origination and reversal of temporary differences:		
Current year - excluding derivative financial instruments	(363)	(74)
- derivative financial instruments	47	(473)
	(316)	(547)
Prior years	(1)	(11)
	(317)	(558)
Tax on profit for the year - current year	852	228
- prior years	(45)	(59)
	807	169
Factors affecting the tax charge for the year:		
Profit before tax	2,886	669
Profit before tax multiplied by standard rate of UK corporation tax of 26.5% (2010 - 28%):	765	187
Carry back of losses	(35)	-
Provisions and expenditure not deductible for tax purposes	46	47
Derivative charge	88	-
Change in the rate of corporation tax	(12)	(6)
Tax on profit for the year - current year	852	228
- prior years	(45)	(59)
Total net taxation charge	807	169

12. Dividends

	2011 p/share	2011 £000	2010 p/share	2010 £000
Final dividend for the previous year	5.0	210	3.7	154
Interim dividend for the current year	3.3	141	2.5	105
	8.3	351	6.2	259

The directors will propose a final dividend of 6.7p per share, amounting to £287,000, for payment on 6 July 2012. As this remains conditional on shareholders' approval, provision has not been made in these consolidated financial statements.

Dividends declared by subsidiaries that are not wholly-owned are paid to the non-controlling interest in the period in which they are declared and amounted to £73,500 in the year (2010: £83,300).

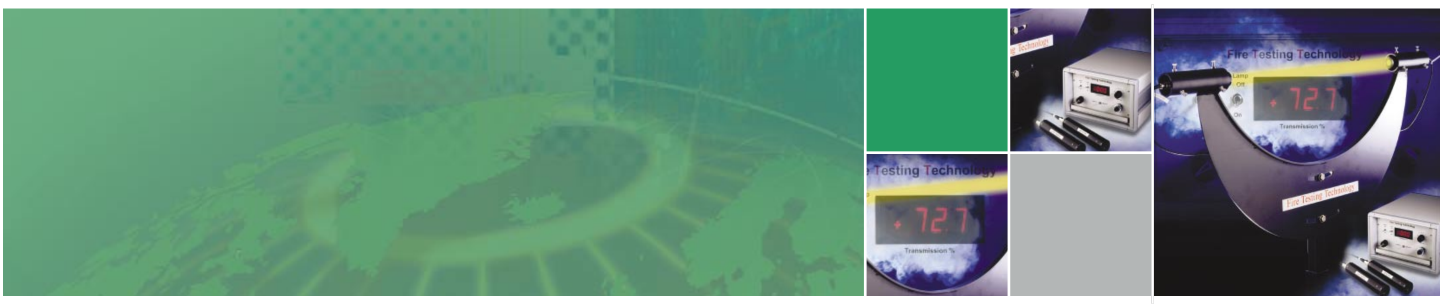
13. Earnings per share

Options and warrants over Ordinary shares and rights of conversion of the Convertible Redeemable shares are described in notes 24 and 25. The calculation of the basic earnings per share is based on the earnings attributable to Ordinary shareholders divided by the weighted average number of shares in issue during the period. The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options and other dilutive potential Ordinary shares in line with the treasury method prescribed in IAS 33. This regards the assumed proceeds from these instruments as having been received from the issue of Ordinary shares at the average market price of Ordinary shares during the period. The difference between the number of Ordinary shares issued on the assumed exercise of the dilutive options and warrants and the number of Ordinary shares that would have been issued at the average market price of Ordinary shares during the period is treated as an issue of Ordinary shares for no consideration, and thus dilutive.

Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below:

Year to 31 December 2011	Earnings attributable to equity holders of the parent company £000	Weighted average number of shares no.	Earnings per share pence
Profit after tax including exceptional items for calculation of basic and diluted earnings per share	1,920		
Add-back exceptional items net of tax and non-controlling interest, as applicable:			
Charge relating to derivative financial instruments	351		
Net insurance recovery	(224)		
Amortisation of intangible assets	481		
Acquisition-related transactions costs	95		
Utilisation of prior year tax losses	(35)		
Basic and diluted profit after tax, excluding exceptional items	2,588		
Number of shares for calculation of basic earnings per share including exceptional items		4,243,571	
Dilutive effect of potential shares		231,433	
Number of shares for calculation of diluted earnings per share including exceptional items		4,475,004	
Dilutive effect of potential derivative financial instruments		432,959	
Number of shares for calculation of diluted earnings per share excluding exceptional items		4,907,963	
Basic earnings per share (including exceptional items)			45.2
Diluted earnings per share (including exceptional items)			42.9
Basic earnings per share (excluding exceptional items)			61.0
Diluted earnings per share (excluding exceptional items)			52.7

Year to 31 December 2010	Earnings attributable to equity holders of the parent company £000	Weighted average number of shares no.	Earnings per share pence
Profit after tax including exceptional items for calculation of basic and diluted earnings per share	333		
Add-back exceptional items net of tax and non-controlling interest, as applicable:			
Charge relating to derivative financial instruments	1,279		
Amortisation of intangible assets	183		
Acquisition-related transactions costs	65		
Basic and diluted profit after tax, excluding exceptional items	1,860		
Number of shares for calculation of basic earnings per share including exceptional items		4,131,588	
Dilutive effect of potential shares		134,197	
Number of shares for calculation of diluted earnings per share including exceptional items		4,265,785	
Dilutive effect of potential derivative financial instruments		265,603	
Number of shares for calculation of diluted earnings per share excluding exceptional items		4,531,388	
Basic earnings per share (including exceptional items)			8.1
Diluted earnings per share (including exceptional items)			7.8
Basic earnings per share (excluding exceptional items)			45.0
Diluted earnings per share (excluding exceptional items)			41.0



14. Property, plant and equipment

	Plant & machinery	Fixtures, fittings & equipment	Motor vehicles	Property & building improvements	Total
	£000	£000	£000	£000	£000
Cost / deemed cost					
1 January 2010	354	340	52	658	1,404
Additions	122	52	34	-	208
Acquisitions	-	1	-	-	1
Disposals	-	(69)	(19)	-	(88)
31 December 2010	476	324	67	658	1,525
Additions	15	75	-	489	579
Acquisitions	23	-	28	534	585
Disposals and reclassifications	(48)	(23)	-	-	(71)
31 December 2011	466	376	95	1,681	2,618
Depreciation					
1 January 2010	276	132	21	54	483
Charge	47	83	12	9	151
Disposals	-	(56)	(9)	-	(65)
31 December 2010	323	159	24	63	569
Charge	61	64	23	22	170
Disposals and reclassifications	(47)	(14)	-	-	(61)
31 December 2011	337	209	47	85	678
Net book value - 31 December 2011	129	167	48	1,596	1,940
Net book value – 31 December 2010	153	165	43	595	956

15. Goodwill

	2011	2010
	£000	£000
Cost		
1 January	5,290	4,497
Addition in year	26	793
31 December	5,316	5,290

An analysis of goodwill by business segment is given in note 7. The increase in goodwill during 2011 related to the acquisition of Deben UK Limited.

There have been no impairment charges in either 2011 or 2010. Goodwill is tested annually for impairment by reference to the value in use of the relevant cash generating units, which are the group's business segments. This is calculated on the basis of projected cash flows for the following five years derived from detailed budgets for the ensuing year based on past experience, with subsequent years including modest nominal rates of sales and cost growth of 3% per annum and generally steady gross margins. The 3% long term growth rate takes into account both UK and overseas markets. These cash flows are adjusted to present day values at a discount rate based on a weighted average cost of capital of 12.24% (2010: 11.88%) per annum, calculated by reference to year-end data on equity values and interest, dividend and tax rates. The long term growth rate and discount rate is consistent for all segments on the basis that they all operate in similar markets and are exposed to similar risks. The residual value at the end of the five years, computed by reference to projected year six cash flows and discounted, is also included. There was no requirement for any impairment provision at 31 December 2011.

The directors have considered the sensitivity of the key assumptions and have concluded that any possible changes that may be reasonably contemplated in these key assumptions would not result in the value in use falling below the carrying value of goodwill, given the amount of headroom available.

16. Other intangible assets

	Non-compete agreement £000	Distribution agreements £000	Research and development £000	Sales order backlog £000	Brand and domain names £000	Customer relationships £000	Total £000
Gross carrying amount							
1 January 2010	23	496	180	335	170	209	1,413
Additions	-	-	-	7	72	-	79
31 December 2010	23	496	180	342	242	209	1,492
Additions	474	220	250	221	350	1,354	2,869
31 December 2011	497	716	430	563	592	1,563	4,361
Amortisation and impairment							
1 January 2010	18	172	20	335	65	209	819
Charge for the year	4	133	36	7	74	-	254
31 December 2010	22	305	56	342	139	209	1,073
Charge for the year	188	219	76	221	94	357	1,155
31 December 2011	210	524	132	563	233	566	2,228
Carrying amount 31 December 2011	287	192	298	-	359	997	2,133
Carrying amount 31 December 2010	1	191	124	-	103	-	419

An analysis of other intangible assets by business segment is given in note 7. The additions to other intangible assets during 2011 related to the acquisition of Deben UK Limited.

17. Inventories

	2011 £000	2010 £000
Raw materials	1,573	1,521
Work in progress	469	349
Finished goods	10	53
	2,052	1,923

In 2011, a total of £8,529,000 of inventories was included in the income statement as an expense (2010: £6,316,000). This includes an amount of £198,000 (2010: £85,000) resulting from write-downs of inventories. The carrying amount of inventories held at fair value less costs to sell is £12,000 (2010: £23,000). There were no reversals of previous write-downs that were recognised in the income statement in either 2011 or 2010. All group inventories form part of the assets pledged as security in respect of bank loans.

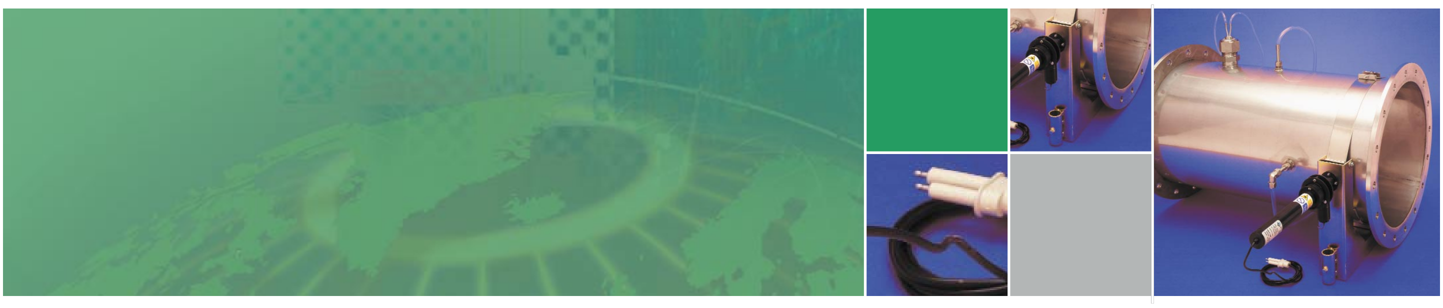
18. Trade and other receivables

	2011 £000	2010 £000
Trade receivables	2,343	2,199
Prepayments and accrued income	205	160
Other receivables	1,126	156
	3,674	2,515

The carrying value of receivables, all of which are short-term, is considered a reasonable approximation of fair value. All trade and other receivables have been reviewed for impairment with no material provision being required.

In addition, some of the unimpaired trade receivables were past due at the balance sheet date as follows:

	2011 £000	2010 £000
Not more than 3 months	807	958
More than 3 months but not more than 6 months	66	43
More than 6 months but not more than 1 year	9	-
Greater than one year	7	-
	889	1,001



19. Trade and other payables

	2011 £000	2010 £000
Trade payables	1,466	1,368
Accruals and deferred income	1,367	891
Social security and other taxes	261	241
Other payables	371	230
	3,465	2,730

All amounts are short-term and their carrying values are considered reasonable approximations of fair value. Other payables also include £10,682 (2010: £12,500) of non equity shares classed as financial liabilities (see note 25).

20. Current portion of long-term borrowings

	2011 £000	2010 £000
Bank loan	1,265	800
Subordinated loans	497	-
	1,762	800

All amounts are short-term and their carrying values are considered reasonable approximations of fair value.

The subordinated loans were advanced by minority shareholders in Bordeaux Acquisition Limited. They are unsecured, interest free and repayable at the discretion of that company.

21. Long-term borrowings

	2011 £000	2010 £000
Bank loan	3,419	2,530

Borrowings comprise three bank loans secured on assets of the group. The repayment profile of borrowings is as set out in note 22:

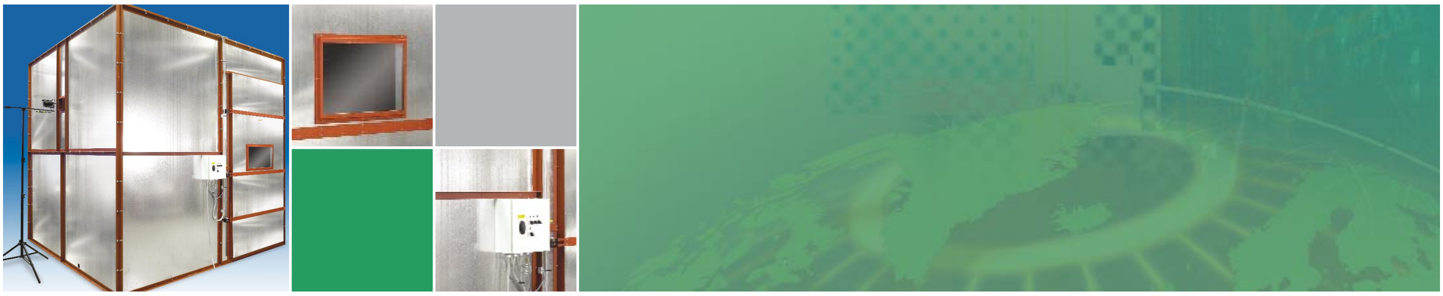
- The first loan is repayable in quarterly instalments over the period ending 30 June 2014 and bears interest at 3.25% above LIBOR-related rates.
- The second loan is repayable in quarterly instalments with a final payment in March 2016 and bears interest at 3.25% above LIBOR-related rates.
- The third loan is repayable in quarterly instalments over the period ending 31 March 2019 and bears interest at 3.75% above LIBOR-related rates.

22. Maturity of borrowings and net debt

31 December 2011	Bank loan £000	Subordinated loans £000	Total £000
Repayable in less than 6 months	686	497	1,183
Repayable in months 7 to 12	772	-	772
Current portion of long-term borrowings	1,458	497	1,955
Repayable in years 1 to 5	3,611	-	3,611
Later than 5 years	109	-	109
Total borrowings	5,178	497	5,675
Less: interest included above	494	-	494
cash and cash equivalents	3,954	-	3,954
Total net debt	730	497	1,227

31 December 2010	Bank loan £000	Subordinated loans £000	Total £000
Repayable in less than 6 months	475	-	475
Repayable in months 7 to 12	466	-	466
Current portion of long-term borrowings	941	-	941
Repayable in years 1 to 5	2,708	-	2,708
Total borrowings	3,649	-	3,649
Less: interest included above	319	-	319
cash and cash equivalents	2,542	-	2,542
Total net debt	788	-	788

A proportion of the group's bank loans is drawn in foreign currencies to provide a hedge against assets denominated in those currencies. The Sterling equivalent at 31 December 2011 of loans denominated in US$ was £772,000 (2010: £1,094,000) and in Euros was £893,000 (2010: £652,000). These amounts are included in the figures above for bank loans, repayable in years 1 to 5.



23. Deferred tax assets/(liabilities)

	2011 £000	2010 £000
1 January	348	(188)
Acquisition in year – amount recognised	(12)	-
– attributable to intangible assets	(774)	(22)
Credit to income statement in the year	363	85
Attributable to the derivative financial instruments	(47)	473
31 December	(122)	348
Deferred tax balances relate to temporary differences as follows:		
Accelerated capital allowances	(35)	(27)
Provisions allowable for tax in subsequent period	20	16
Intangible assets	(533)	(114)
Attributable to the derivative financial instruments	426	473
Total	(122)	348

Amounts provided in respect of deferred tax are computed at 25% (2010: 27%).

The group has unrelieved tax losses at 31 December 2011 of £192,000 (2010: £325,000). The ability to utilise these losses, which reside in the parent company, is significantly affected by the impact of exchange rates on borrowings in foreign currencies, which by their very nature are unpredictable. The group has therefore not recognised a deferred tax asset (2011: £48,000; 2010: £88,000) in respect of these losses as it cannot be considered probable that taxable profits will be available in the near term against which they can be utilised. However they are available to be offset against future profits of the parent company.

24. Share capital

	2011 £000	2010 £000
Authorised - Ordinary shares of 5p each		
10,000,000 shares	500	500
Allotted, called up and fully paid - Ordinary shares of 5p each		
1 January: 4,180,242 shares (2010: 4,040,678)	209	202
Exercise of share options: 3,000 shares (2010: 6,000)	-	-
Exercise of warrants to subscribe: 23,840 shares (2010: 133,564)	1	7
Conversion of Convertible Redeemable shares: 82,885 shares (2010: nil)	4	-
31 December: 4,289,967 shares (2010: 4,180,242)	214	209

Allotments of Ordinary shares in 2011 were made:

(a) to satisfy the exercise of 3,000 share options on 6 October 2011 when the share price was 405p (2010: the exercise of 3,000 share options on each of 27 September 2010 and 19 November 2010 when the share price was 322p and 410p respectively);

(b) to satisfy the exercise of warrants to subscribe for 23,840 shares on 27 May 2011 when the share price was 472.5p (2010: the exercise of warrants to subscribe for 133,564 shares on 20 May 2010 when the share price was 180p); and

(c) On the conversion of 727,026 Convertible Redeemable shares into 82,885 Ordinary shares on 27 June 2011 when the Ordinary share price was 477.5p.

Equity share options and warrants

At 31 December 2011, options had been granted and remained outstanding in respect of 348,000 Ordinary shares in the company, all priced by reference to the mid-market price of the shares on the date of grant and all exercisable, following a 3-year vesting period, between the third and tenth anniversaries of grant, as below:

	2011 Number	2011 Weighted average exercise price p/share	2010 Number	2010 Weighted average exercise price p/share
2005 Approved Plan				
Outstanding at 1 January	198,850	112.1	179,850	104.8
Granted in year	25,500	472.4	22,000	169.2
Exercised or lapsed in year	(13,000)	133.5	(3,000)	94.0
Outstanding at 31 December	211,350	154.2	198,850	112.1
Of which exercisable at 31 December	129,450	109.4	84,000	100.8
2005 Unapproved Plan				
Outstanding at 1 January	108,150	104.7	111,150	104.6
Granted in year	28,500	470.0	-	-
Exercised or lapsed in year	-	-	(3,000)	103.5
Outstanding at 31 December	136,650	180.9	108,150	104.7
Of which exercisable at 31 December	92,550	106.8	67,000	100.3
Total				
Outstanding at 1 January	307,000	109.5	291,000	104.7
Granted in year	54,000	471.1	22,000	169.2
Exercised or lapsed in year	(13,000)	133.5	(6,000)	98.8
Outstanding at 31 December	348,000	164.7	307,000	109.5
Of which exercisable at 31 December	222,000	108.4	151,000	100.6

Exercise prices at 31 December 2011 ranged from 92p/share to 470.0p/share (2010: 92p/share to 191.5p/share), with a weighted average remaining contractual life of 6.40 years (2010: 6.92 years). Options over 10,000 shares were conditional upon the achievement of earnings targets in 2011.

24. Share capital - continued

Options have been granted to two directors as follows:

	Number of shares	
	Mr D Barnbrook	Mr R L Cohen
20 October 2005 at 101.5p	5,000	37,000
22 March 2006 at 103.5p	10,000	-
23 March 2007 at 106.5p	10,000	-
24 September 2007 at 94p	5,000	10,000
28 April 2008 at 124p	10,000	10,000
23 July 2009 at 92p	10,000	10,000
9 May 2011 at 470p	5,000	5,000
	55,000	72,000

The market price of the company's Ordinary shares on 31 December 2011 was 407.5p, the highest price during 2011 was 500.0p on 1 July, the lowest price during 2011 was 365.0p on 6 to 10 January and the price on 20 March 2012 was 637.5p.

In accordance with IFRS 2, a Black Scholes valuation model has been used. This has indicated that no material expense is required to be charged for the years ended 31 December 2011 and 31 December 2010. As such, no adjustment has been made to either the consolidated or parent company financial statements.

Warrants to subscribe

Loeb Aron & Company Limited, the brokers who conducted a share placing in 2008, were granted unquoted warrants to subscribe for Ordinary shares in the company at an exercise price of £1.10 per share, expiring on 20 May 2013 and relating to 23,840 shares. These warrants were exercised on 27 May 2011.

Convertible Redeemable shares

The conversion rights set out in note 25 would have resulted in the issue of 490,275 Ordinary shares if conversion of all the Convertible Redeemable shares had taken place on 31 December 2011.

25. Convertible Redeemable shares classed as financial liabilities

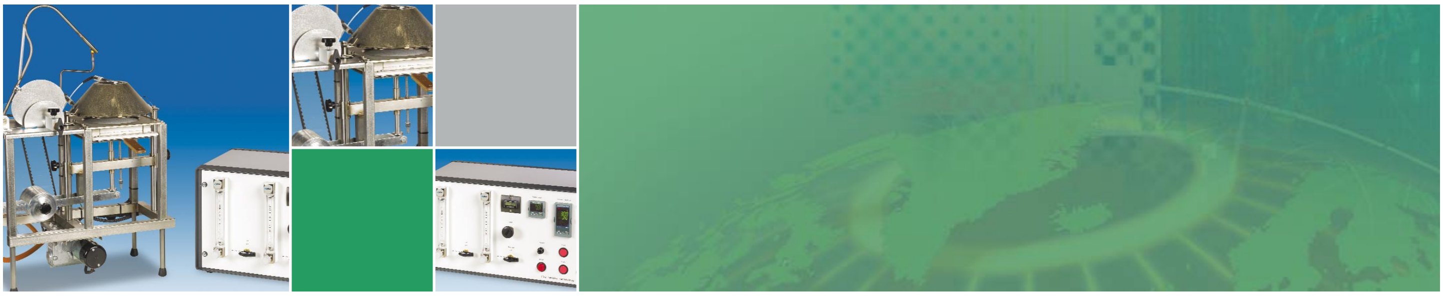
	2011 £000	2010 £000
Authorised		
5,000,000 shares of 1p each	50	50
Allotted – shares of 1p each - $\frac{1}{4}$p called up and paid		
1 January 2011: 5,000,000 shares (2010: 5,000,000)	12	12
Conversion into Ordinary shares: 727,026 shares (2010: nil) (see note 24)	(1)	-
31 December 2011: 4,272,974 shares (2010: 5,000,000)	11	12

In accordance with IAS 32, Financial Instruments: Presentation, the Convertible Redeemable shares are classified as financial liabilities. Under the terms of IAS 39 Financial Instruments, Recognition and Measurement, the conversion feature within the Convertible Redeemable shares is deemed to represent an embedded derivative financial instrument. As such, it is a requirement that they be fair-valued at each accounting date, with changes in fair-value being recognised through the Income Statement. The recent increase in the market price of the company's Ordinary shares has correspondingly increased the fair value of the Convertible Redeemable shares, resulting in a £304,000 charge before tax (£351,000 after tax) in the year ended 31 December 2011 relating to the derivative financial instrument (2010: £1,279,000 after tax). The reduction in the provision arising on a conversion into Ordinary shares during the year has been transferred directly to equity.

Under the Articles of Association the principal conditions attached to the Convertible Redeemable shares are as follows:

- There is no right to participate in the profits of the company.
- On a winding up or other return of capital, any surplus assets remaining after payment of liabilities shall be applied:
  - i) Firstly in equally repaying the paid up capital on both the Ordinary shares and the Convertible Redeemable shares;
  - ii) Secondly in distributing the remainder amongst the holders of the Ordinary shares according to the amounts paid up.
- The holders of the Convertible Redeemable shares are not entitled to attend or vote at General Meetings of the company unless the meeting is to consider a resolution for the winding up of the company.
- The Convertible Redeemable shares are convertible no later than 31 December 2014 into such number of Ordinary shares as would represent 10.26% of the company's Ordinary share capital as enlarged if all remaining convertible shares had been converted at 31 December 2011 (2010: 12%); the exercise price is 95p per Ordinary share less amounts already paid on the Convertible Redeemable shares.
- The holders of Convertible Redeemable shares shall (subject to the provisions of the Companies Acts) be entitled at any time to redeem at any time all or any of the Convertible Redeemable shares outstanding out of any profits or monies of the company which may lawfully be applied for such purpose.

Proposals to amend the redemption terms of the Convertible Redeemable shares are described in the Directors' Report.



26. Emoluments of directors and key management personnel

	2011 no.	2010 no.
Executive directors	3	3
Non-executive directors	3	3
	6	6
	£000	£000
Total directors' emoluments:		
Emoluments	490	405
Defined contribution pension scheme contributions	12	10
	502	415
Emoluments of the highest paid director:		
Emoluments	153	127
Defined contribution pension scheme contributions	-	5
	153	132

During the year two directors participated in a defined contribution pension scheme (2010: two)

Compensation of key management personnel

	2011	2010
Emoluments, benefits, pension contributions and social security costs	1,064	871
Short term employee benefits:		
Salaries including bonuses and social security costs	980	820
Company car allowance and other benefits	41	25
Total short term employee benefits	1,021	845
Post-employment benefits:		
Defined contribution pension plans	43	26
Total post-employment benefits:	43	26
Total remuneration	1,064	871

Key management personnel comprise directors of the parent company and the managing directors of the principal operating companies. The compensation of the non-executive directors of the parent company is determined by the Board of directors as a whole, that of the executive directors of the parent company is determined by the Remuneration Committee of the Board (comprising the non-executive directors) and that of the managing directors of the principal operating companies is determined by the group Chief Executive.

27. Employees

	2011 no.	2010 no.
Number of employees		
By function – manufacturing	71	56
By function – sales and administration	64	61
	135	117
By business segment		
Materials Sciences group	55	50
Vacuum group (pro-rata for 2011 – 76 at end of 2011)	72	59
head office (including 3 non-executive directors in both years)	8	8
	135	117

Employment costs	2011 £000	2010 £000
Wages and salaries	4,879	4,147
Social security costs	521	438
Pension costs	145	112
	5,545	4,697

28. Financial instruments

The group's policies on treasury management and financial instruments are given in the directors' report.

Fair value of financial instruments

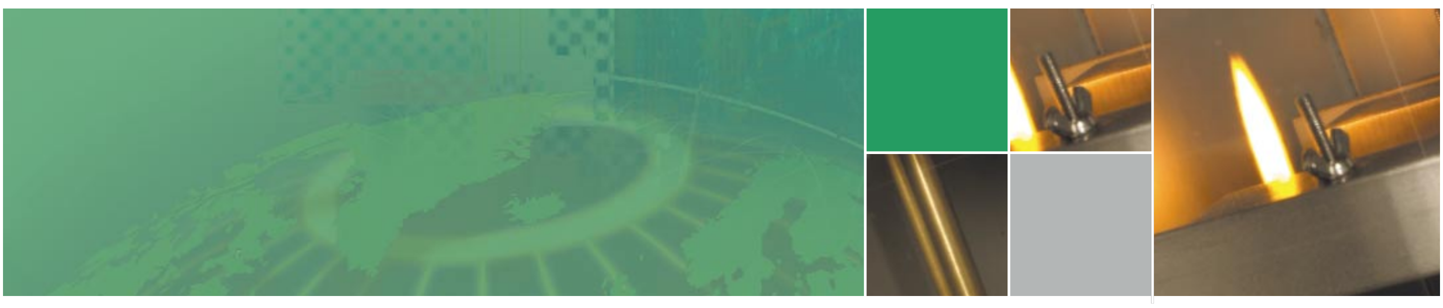
Financial instruments include the borrowings set out in note 22. All financial instruments denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The directors believe that there is no material difference between the book value and fair value of all financial instruments.

Borrowing facilities

The group had an undrawn committed overdraft facility of £500,000 at 31 December 2011 (2010: £500,000).

Trade payables

All amounts are short-term (all payable within six months) and their carrying values are considered reasonable approximations of fair value. The values are set out in note 19.



Fair value hierarchy

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The derivative financial instruments in respect of the Convertible Redeemable shares are measured at fair value in accordance with the fair value hierarchy and are classed as level 2.

Summary of financial assets and financial liabilities by category

	2011 £000	2010 £000
Financial Assets		
Trade and other receivables	3,469	2,355
Cash and cash equivalents	3,954	2,542
Loans and receivables	7,423	4,897
Financial Liabilities		
Derivative financial instruments	1,739	1,752
Financial liabilities designated at fair value through profit or loss	1,739	1,752
Trade payables	1,466	1,368
Accruals	1,367	891
Other payables	371	230
Current portion of long-term borrowings	1,762	800
Long-term borrowings	3,419	2,530
Financial liabilities measured at amortised cost	8,385	5,819
Total financial liabilities	10,124	7,571
Net financial liabilities	(2,701)	(2,674)
Non financial assets and financial liabilities not within the scope of IAS 39		
Property, plant and equipment	1,940	956
Goodwill	5,316	5,290
Other intangible assets	2,133	419
Inventories	2,052	1,923
Prepayments and accrued income	205	160
Social security and other taxes	(261)	(241)
Current tax payable	(851)	(550)
Deferred tax (liabilities)/assets	(122)	348
	10,412	8,305
Total equity	7,711	5,631

Financial assets

The group's financial assets (which are summarised in note 29 – credit risk) comprise cash and cash equivalents and trade and other receivables.

- The amounts derived from these assets and included as interest income in the income statement are £7,000 (2010: £7,000).
- Cash and cash equivalents are principally denominated in sterling and earn interest at floating rates.
- There is no material difference between the book and fair values of the financial assets.
- At 31 December 2011 the group had trade receivables denominated in foreign currency as follows: Euros - £318,000 (2010: £118,000) and US Dollars - £217,000 (2010: £598,000).

Financial liabilities

The group's principal financial liabilities are bank loans, trade and other payables, derivative financial instruments and Convertible Redeemable shares classed as financial liabilities:

- The costs attributable to these liabilities and included as interest expense in the income statement amounted to £195,000 (2010: £137,000), as analysed in note 10. Foreign exchange losses attributable to bank loans (see below) and included as operating costs in the income statement amounted to £3,000 (2010: £4,000); this approximately equates to the foreign exchange gains arising in the subsidiary companies whose currency exposure the foreign exchange bank loans are designed to hedge.
- A proportion of the bank loans are denominated in foreign currencies to provide a hedge against currency risk on group assets, as described in note 22.

29. Risk management objectives and policies

The group is exposed to market risks, arising predominantly from currency exposure resulting from its export activities, interest rate fluctuation on its loans and deposits and credit and liquidity risks. Risk management strategies are co-ordinated by the board of directors of the parent company.

Foreign currency sensitivity

The group exports a substantial proportion of its sales, frequently denominated in foreign currencies (principally in US$ and Euros). Exposure to currency rate fluctuations exists from the moment a sales order is confirmed through to the time when the related remittance is converted into Sterling. This exposure is computed monthly (along with offsetting exposure on purchases, generally of minimal amounts) and counter-balanced by the conversion of a proportion of the group's bank loans into equivalent foreign currencies. The net exposure to risk is therefore substantially reduced. Residual exposure is the difference between the net exposure and the converted bank loans, both translated into Sterling at each date of measurement.

29. Risk management objectives and policies - continued

31 December 2011	Sterling equivalent of US$ £000	Sterling equivalent of € £000
Sterling loans denominated in foreign currencies at year-end	772	893
Residual exposure at year-end – long	89	311
Impact on pre-tax profits of a 5% variation in exchange rate on year-end residual exposure	4	15
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	3	11

31 December 2010	Sterling equivalent of US$ £000	Sterling equivalent of € £000
Sterling loans denominated in foreign currencies at year-end	1,094	652
Residual exposure at year-end – short	(29)	(14)
Impact on pre-tax profits of a 5% variation in exchange rate on year-end residual exposure	1	1
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	1	1

Interest rate sensitivity

The group's interest rate exposure arises in respect of its bank loans, which are LIBOR-linked for interest rate purposes and its surplus funds, which are bank base-rate-linked. The group's sensitivity to interest rate changes is as follows:

	2011 £000	2010 £000
Bank loans outstanding at year-end	4,684	3,330
Impact on pre-tax profits of a 1% change in LIBOR	47	33
Impact on equity of a 1% change in LIBOR	35	24
Surplus funds at year-end	3,954	2,542
Impact on pre-tax profits of a 1% change in bank base rates	39	25
Impact on equity of a 1% change in bank base rates	29	18

Credit risk

The group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the balance sheet date, as follows:

	2011 £000	2010 £000
Cash and cash equivalents	3,954	2,542
Trade and other receivables	3,674	2,515
	7,628	5,057

The group reviews the credit risk relating to its customers by ensuring wherever possible that it deals with long established trading partners, and agents and government / university backed bodies, where the risk of default is considered low. Where considered appropriate, the group insists on up-front payment and requires letters of credit to be provided. The directors consider that all the group's financial assets that are not impaired at each of the reporting dates under review are of good credit quality, including those that are past due (see note 18). None of the financial assets are secured by collateral or other credit enhancements.

Group companies generally trade through overseas agents and credit exposure to an individual agent can be significant at times. No counterparties owed more than 10% each of the group's total trade and receivables at 31 December 2011. At 31 December 2010, one counterparty owed more than 10% of the group's total trade and other receivables, being the China agent of Fire Testing Technology Limited (19.1%).

The credit risk for liquid funds and other short-term financial assets is considered small. The substantial majority of these assets is deposited with Bank of Scotland, part of the Lloyds Banking Group. The British Government holds a substantial interest in this group.

Liquidity risk

The group's longer-term financing needs, principally in respect of business acquisitions, are satisfied by bank loans, with the objective of servicing repayments from the cash flow arising from the businesses acquired. For short and medium term financial needs, the group regularly compares its projected requirements with available cash and borrowing facilities; the directors continue to augment existing cash surpluses with a £500,000 borrowing facility from the group's bank to provide an additional margin of liquidity (none of which was outstanding during 2011) and which has been increased since 31 December 2011 to £4 million – see note 32.

The periods of maturity of the group's borrowings are set out in note 22. The maturity of all trade and other payables is within the period of less than six months.

Price risk

The group's price risk exposure arises in respect of the value of the derivative financial instrument which is affected by fluctuations in the group's share price. The group's sensitivity to such changes is as follows:

	2011 £000	2010 £000
Operating profit	3,074	799
Impact on pre-tax profits of a 10% change in share price	227	236

30. Operating lease commitments

	2011 £000	2010 £000
Operating lease payments expensed during the year:		
Land and property	249	224
Vehicles	24	23
	273	247
Minimum operating lease commitments falling due:		
Within one year – Land and property	199	213
Within one year – Vehicles	14	18
	213	231
Between one and five years – Land and property	224	375
Between one and five years – Vehicles	25	17
	249	392
Total commitment	462	623

Land and property leases represent operating sites leased at East Grinstead, Laughton, Ashford, Ringmer and Wokingham. The earliest exits to these leases fall during May 2013, February 2014, March 2013, May 2012 and December 2016 respectively.

31. Acquisition of Deben UK Limited

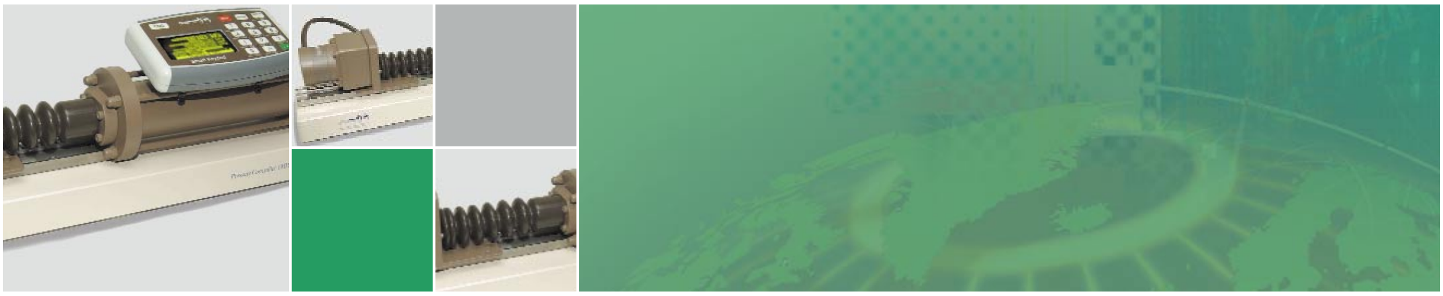
On 18 March 2011, the company's 51% subsidiary, Bordeaux Acquisition Limited ("Bordeaux") acquired the entire issued share capital of Deben UK Limited ("Deben"), a company based in the UK. The total cost of acquisition, all of which was paid in cash, includes the components stated below. There was no net asset value to the Bordeaux Group (Bordeaux Acquisition Limited and Deben UK Limited combined) at the point of acquisition as the debt taken on to finance the consideration of Deben UK Limited is held in Bordeaux Acquisition Limited. On this basis there was no value arising at the date of acquisition in respect of the 49% non-controlling interest in Bordeaux Acquisition Limited. Value for the non-controlling interest arises only from post-acquisition profits of the Bordeaux Group.

	£000
Payment to vendors	3,260
Gross cash inherited on acquisition	1,655
Cash retained in the business	(293)
Payment to vendors in respect of surplus working capital (paid in August 2011)	1,362
Total consideration transferred	4,622
Acquisition-related transaction costs charged in the Income Statement	196

The amounts recognised for each class of the acquiree's assets, liabilities and contingent liabilities at the acquisition date are as follows:

	Pre-acquisition carrying amount £000	Adjustment to fair value £000	Recognised at acquisition date £000
Property, plant and equipment	585	-	585
Intangible assets	-	2,869	2,869
Inventories	349	-	349
Trade and other receivables	574	-	574
Cash and cash equivalents	1,655	-	1,655
Total assets	3,163	2,869	6,032
Deferred tax liabilities	(12)	(774)	(786)
Trade payables	(336)	-	(336)
Current tax liability	(314)	-	(314)
Total liabilities	(662)	(774)	(1,436)
Net identifiable assets and liabilities	2,501	2,095	4,596
Goodwill arising on acquisition			26
Total cost of acquisition			4,622

The goodwill that arose on the combination can be attributed to Deben's profitability.



The figures described below include interest charges that have been incurred by Bordeaux Acquisition Limited.

The acquisition of Deben resulted in profit after tax attributable to equity holders of the parent company of £199,000 in the 41 weeks from 18 March 2011 to the reporting date. After amortisation of intangible assets, the contribution to the equity holders of the parent company's results amounted to a loss of £134,000 after tax.

If Deben had been acquired on 1 January 2011, based on pro-forma 2010 results, revenue for the group for the period to 31 December 2011 would have increased by £422,000 and profit after tax attributable to equity holders of the parent company would have increased by £48,000 after allowing for interest costs but before charging amortisation of intangible assets (a reduction of £24,000 after charging additional amortisation of intangible assets of £72,000).

32. Post balance sheet events

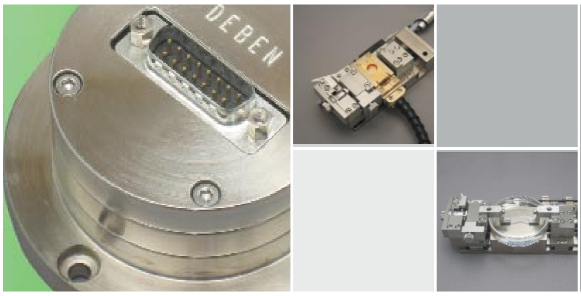
On 6 March 2012, the company acquired the entire issued share capital of Global Digital Systems Limited ("GDS"). GDS designs, manufactures and sells instruments used to test the physical properties of soil and rocks . The company's investment in GDS amounted to approximately £8.1 million, including estimated transaction costs of £450,000. An additional payment will be made to reflect the working capital available at completion in excess of the ongoing requirements of the business, which the directors expect to be covered by the cash inherited on completion. The acquisition was financed by existing cash resources, a £2.5 million increase in bank loans and an increase from £0.5 million to £4 million in overdraft facilities.

GDS's unaudited financial statements for the year ended 31 October 2011 showed net tangible assets of £1,718,000. Sales amounted to £4,900,000, on which the company generated operating profits of £877,000. The directors believe that, had the business been owned by the group during that year and excluding one-off items, GDS would have generated operating profits in the order of £1,275,000 (before interest, tax, amortisation of intangible assets and expensed transaction costs).

Accounts to the date of completion will be drawn up promptly. However at the time of finalising these financial statements the information required under IFRS 3R concerning the net identifiable assets and liabilities acquired was not yet available.

Also on 6 March 2012 Deben completed the acquisition of the trade and certain assets of KE Developments Limited ("KE"). Fixed asset purchases amounted to £40,000 and the company will purchase inventories from the vendor as required over a period of 5 years (having paid a deposit of £50,000 on completion). In addition, deferred consideration up to a maximum of £300,000 will be payable monthly at reducing rates over a 5 year period, based on sales of KE products.


Grant



INDEPENDENT AUDITOR'S REPORT

We have audited the parent company financial statements of Judges Scientific plc for the year ended 31 December 2011 which comprise the parent company balance sheet and notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

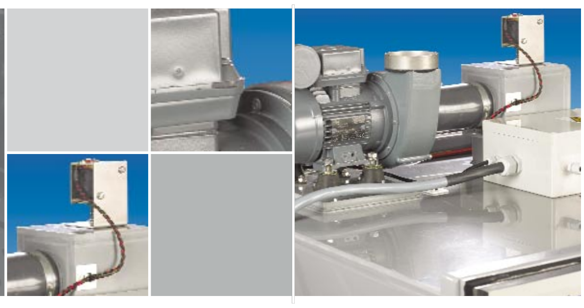
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of Judges Scientific plc for the year ended 31 December 2011.

Paul Houghton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
28 March 2012

PARENT COMPANY BALANCE SHEET



	Note	2011 £000	2010 £000
Fixed assets			
Tangible assets	3	1,016	569
Investments in subsidiaries	4	8,361	7,834
		9,377	8,403
Current assets			
Debtors	5	1,656	1,902
Cash in hand and at bank		724	610
		2,380	2,512
Creditors: amounts falling due within one year	6	(1,206)	(1,037)
Net current assets		1,174	1,475
Total assets less current liabilities		10,551	9,878
Creditors: amounts falling due after more than one year	7	(1,634)	(2,530)
Total net assets		8,917	7,348
Capital and reserves			
Called up share capital	9	214	209
Share premium	10	3,195	3,092
Profit and loss account	10	5,508	4,047
Shareholders' funds	10	8,917	7,348

In accordance with the exemptions permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been presented.

These parent company financial statements were approved by the board on 28 March 2012

D.E. Cicurel
Director

R.L. Cohen
Director

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. General information

These separate financial statements of the parent company have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

2. Accounting policies

2.1 Tangible fixed assets

Property is stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided at annual rates calculated to write off the cost less residual value of each asset over its expected useful life at the following rate:

- Property: 2% straight-line on cost of buildings (excluding the estimated value of land).

2.2 Investments

Fixed asset investments in subsidiaries are stated at cost less provision for impairment.

2.3 Taxation

Current tax is provided at amounts expected to be paid or recovered either directly or through group relief arrangements.

Tax assets and liabilities are calculated at rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

2.4 Pensions

The company operates a defined contribution pension scheme for employees and directors. The assets of the scheme are held by investment managers separately from those of the company and group. The pension costs charged against operating results represent the amount of the contributions payable to the scheme in respect of the accounting period.

2.5 Share-based payments

FRS 20 has been applied, where the effect is material, to equity-settled share options granted on or after 7 November 2002 and not vested prior to 1 January 2006. The Black Scholes valuation model is used and, up to 31 December 2011, has indicated that no material adjustment to results is required. The impact of a material adjustment would be reflected in the accounts of any affected subsidiary company.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All material equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account, with a corresponding credit to "other reserve".

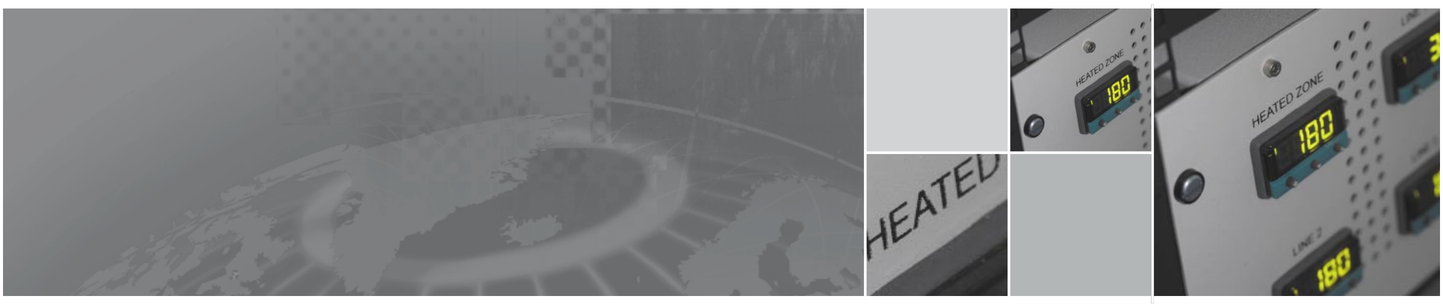
If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. The impact of the revision of the original estimates, if any, is recognised in the profit and loss account over the remaining vesting period, with a corresponding adjustment to the appropriate reserve. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

2.6 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of transaction. All differences are taken to the profit and loss account.

2.7 Convertible Redeemable shares

In accordance with FRS 25, the Convertible Redeemable shares have been recorded as a current liability at the net proceeds received and any future conversion into Ordinary shares has not been taken into account. The underlying finance cost is not reflected until conversion takes place.



3. Tangible assets

	Property £000
Cost	
1 January 2011	591
Additions in 2011	454
31 December 2011	1,045
Depreciation	
1 January 2011	22
Charge	7
31 December 2011	29
Net book value - 31 December 2011	1,016
Net book value - 31 December 2010	569

4. Investments in subsidiaries

	2011 £000	2010 £000
Cost		
1 January	7,834	7,834
Addition – acquisition of a 51% share of Bordeaux Acquisition Ltd (see note 13)	527	-
31 December	8,361	7,834

The group's trading subsidiaries at 31 December 2011, all of which were incorporated and operate in the United Kingdom, were as follows:

Company	Principal activity	Class of shares	% held
Fire Testing Technology Limited	Design and assembly of fire testing instruments	Ordinary £1	100%
PE.fiberoptics Limited	Design and assembly of fibre-optic testing instruments	"A" Ordinary £1	100% of "A" class; being 51% of total equity
UHV Design Limited	Design and manufacture of instruments used to manipulate objects in ultra high vacuum chambers	Ordinary £1	100%
Aitchee Engineering Limited	Manufacture of engineering parts and finished products	Ordinary £1	100%
Quorum Technologies Limited	Design, manufacture and distribution of instruments that prepare samples for examination in electron microscopes	Ordinary £1	100%
Sircal Instruments (UK) Limited	Design, manufacture and distribution of rare gas purifiers for use in metals analysis	Ordinary £1	100%
Deben UK Limited	Design and manufacture of devices used to enable or improve the observation of objects under a microscope	Ordinary £1	51%

All of the above companies are owned directly by Judges Scientific plc, with the exception of Aitchee Engineering Limited and Sircal Instruments (UK) Limited, both of which are owned directly by Fire Testing Technology Limited, and Deben UK Limited, which is wholly-owned by a 51%-owned intermediate holding company, Bordeaux Acquisition Limited.

5. Debtors

	2011 £000	2010 £000
Amounts owed by group companies	1,620	1,777
Corporation tax - group relief owed by group companies	-	95
Prepayments and accrued income	36	30
	1,656	1,902

Included in amounts owed by group companies are:

- the sum of £244,000 (2010: £244,000) which is repayable on demand at any time after 30 June 2013 provided that all liabilities to third parties falling due on or before that date have been met; and
- a loan to Fire Testing Technology Limited, made during 2010 to finance the acquisition of Sircal Instruments (UK) Limited, amounting to £1,316,000 at 31 December 2011. This loan is unsecured, repayable on demand and bears interest at the rate of 7.5% per annum.

Except as stated, all amounts are recoverable in less than 1 year.

6. Creditors: amounts falling due within one year

	2011 £000	2010 £000
Accruals and deferred income	207	166
Social security and other taxes	88	59
Current portion of bank loan	900	800
Other creditors	11	12
	1,206	1,037

Other creditors comprise £10,682 (2010: £12,500) of non equity shares classed as financial liabilities (see note 25 to the consolidated financial statements).

7. Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Bank loan	1,634	2,530

The bank loan is secured on assets of the group (including the assets of the parent company), is repayable in quarterly

instalments over the period ending 30 June 2014 and bears interest at 3.25% above LIBOR-related rates. The repayment profile of borrowings is as follows:

	Bank loan £000
Repayable in less than 1 year	1,002
Repayable in years 1 to 5	1,708
	2,710

A proportion of the company's bank loans is drawn in foreign currencies to provide a hedge against group assets denominated in those currencies. The Sterling equivalent at 31 December 2011 of loans denominated in US$ was £772,000 (2010: £1,094,000) and in Euros was £893,000 (2010: £652,000). These amounts are included in the figures above for bank loans, repayable in years 1 to 5.

The parent company has a contingent liability in respect of its cross-guarantees of bank overdraft facilities made available to it and its subsidiary companies amounting in aggregate to £500,000 (none of which was outstanding during 2011) and which has been increased since 31 December 2011 to £4 million – see note 14.

8. Taxation

The parent company had unrelieved tax losses at 31 December 2011 of £192,000 (2010: £325,000). The ability to utilise these losses is significantly affected by the impact of exchange rates on borrowings in foreign currencies, which by their very nature are unpredictable. The parent company has therefore not recognised a deferred tax asset (2011: £48,000; 2010: £88,000) in respect of these losses as it cannot be considered probable that taxable profits will be available in the near term against which they can be utilised. However they are available to be offset against future profits of the parent company.

9. Share capital

Details relating to the parent company's share capital are set out in notes 24 and 25 to the consolidated financial statements.

10. Statement of movements in shareholders' funds

	Share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' funds £000
1 January 2011	209	3,092	4,047	7,348
Profit for the year	-	-	1,812	1,812
Shares issued in the year	5	103		108
Dividends paid in the year	-	-	(351)	(351)
31 December 2011	214	3,195	5,508	8,917

The profit for the financial year in the accounts of the parent company amounted to £1,812,000 (2010: £1,437,000).

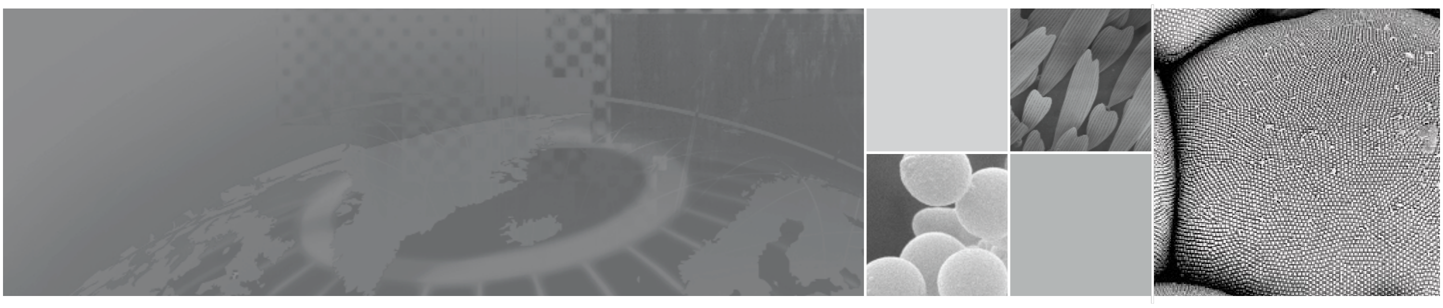
Details relating to the dividends paid in the year are set out in note 12 to the consolidated financial statements.

11. Related party transactions

The company is exempt under the terms of FRS 8 from disclosing transactions with its wholly owned subsidiaries.

Funds were advanced by the company to its newly-formed 51%-owned subsidiary, Bordeaux Acquisition Limited, to facilitate its activities as the purchaser during the year and subsequent owner of the entire share capital of Deben UK Limited. The maximum amount advanced was £632,000, of which £517,000 was outstanding at 31 December 2011. There are no interest or repayment terms to these advances.

Dividends paid in the year to directors who hold shares amounted to £57,000 in aggregate (2010: £45,000).



12. Directors and employees

	2011 £000	2010 £000
Total directors' emoluments		
Emoluments	490	405
Defined contribution pension scheme contributions	12	10
	502	415
Emoluments of the highest paid director		
Emoluments	153	127
Defined contribution pension scheme contributions	-	5
	153	132

During the year, two directors participated in a defined contribution pension scheme (2010: two)

	no.	no.
Employees		
Number of directors	6	6
Administrative staff	2	2
Total	8	8

13. Acquisition of Deben UK Limited

On 18 March 2011, the company acquired a 51% interest in a newly-incorporated company, Bordeaux Acquisition Limited ("Bordeaux"), which in turn acquired the entire issued share capital of Deben UK Limited ("Deben"). Deben designs, manufactures and sells devices used to enable or to improve the observation of objects under microscopes. The minority shareholders in Bordeaux are the former owners of Deben.

The company's investment in Bordeaux amounted to £517,000 and took the form of equity and subordinated debt. The company also guaranteed bank loans drawn by Bordeaux to finance the acquisition and amounting at the date of acquisition to £2,422,000 (£2,149,000 outstanding at 31 December 2011). Further details of the transaction are set out in note 31 to the consolidated financial statements.

14. Post balance sheet events

On 6 March 2012, the company acquired the entire issued share capital of Global Digital Systems Limited ("GDS"). GDS designs, manufactures and sells instruments used to test the physical properties of soil and rocks. .The company's investment in GDS amounted to approximately £8.1 million including estimated transaction costs of £450,000. An additional payment will be made to reflect the working capital available at completion in excess of the ongoing requirements of the business, which the directors expect to be covered by the cash inherited on completion. The acquisition was financed by existing cash resources, a £2.5 million increase in bank loans and an increase from £0.5 million to £4 million in overdraft facilities. Further details of the transaction are set out in note 32 to the consolidated financial statements.

Also on 6 March 2012 Deben completed the acquisition of the trade and certain assets of KE Developments Limited. Further details of this transaction are set out in note 32 to the consolidated financial statements.

NOTICE OF CLASS MEETING OF ORDINARY SHAREHOLDERS

Notice is hereby given that a class meeting of the Ordinary shareholders of Judges Scientific plc (the "Company") in accordance with Article 47 of the Articles of Association of the Company and pursuant to Section 630 Companies Act 2006, will be held at The Lansdowne Club, 9 Fitzmaurice Place, London W1X 6JD on Wednesday 30 May 2012 at 12:00 noon for the purpose of dealing with the following business:

Special Resolution

To consider and, if thought fit, to pass the following resolution:

That, subject to and conditional upon the approval of such adoption by the members of the Company by way of a special resolution to be proposed at the next Annual General Meeting (the "AGM"), consent is given by the Ordinary shareholders of the Company for the adoption of the regulations presented to the meeting and signed by the Company Secretary for the purpose of identification (the "New Articles") as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company.

By Order of the Board

RL Cohen	Registered Office:
Company Secretary	Unit 19, Charlwoods Road
	East Grinstead
4 May 2012	West Sussex RH19 2HL

Notes:

1 Resolution 1 is being proposed in accordance with Art 47 of the current Articles of Association of the Company and pursuant to Section 630 Companies Act 2006 which provides that the rights attached to a class of shares may only be varied or abrogated with the consent in writing of the holders of three quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

Ordinary shareholders will have received in the same document as this Notice a separate notice of annual general meeting (the "AGM Notice"), and will note resolution 7 in the AGM Notice which will be put to members of the Company at the annual general meeting which follows this class meeting and which proposes that the Company adopts the New Articles as its Articles of Association.

One effect of the change to the New Articles is that the rights attaching to the Convertible Redeemable shares in respect of their redemption would be amended. Given the effect upon the redemption value of the Convertible Redeemable shares for a period ending on 28 December 2012, the board considers that this represents a change to the rights of the Ordinary shares and therefore the purpose of resolution 1 of this class meeting is to provide appropriate consent from the holders of Ordinary shares to this change, to enable the Company (subject to approval by the members of the Company by way of a special resolution) to adopt the New Articles in accordance with resolution 7 in the AGM.

2 A member entitled to attend and vote at the meeting convened by the Notice set out above is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her place. A proxy need not be a member of the Company.

3 To appoint more than one proxy you may photocopy the Form of Proxy. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

4 To be valid, the instrument appointing a proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority, must be deposited at the registered office of the Company not less that 48 hours before the time fixed for holding the meeting or any adjournment thereof.

5 The completion and return of a form of proxy will not preclude a member of the Company from attending and voting in person at the meeting should he/she so wish.

6 Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, only those members registered in the Register of Members of the Company as at 12:00 noon on 28 May 2012 (being not more than 48 hours prior to the time fixed for the meeting) or, if the meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting are entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries in the Register after 12:00 noon on 28 May 2012 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

7 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representatives in accordance with those directions; or (ii) any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

Annex

Explanatory notes of principal changes to the Company's Articles of Association

1. **General**

Provisions in the current Articles which refer to the Companies Act 1985 have now been removed and replaced in the proposed Articles with the equivalent provisions of the Companies Act 2006, being the legislation now currently in force.

2. **Redemption of Convertible Redeemable shares**

The current Articles contain a provision that the sum paid on each Convertible Redeemable share redeemed will be the amount paid up or credited as paid up on each such share.

The proposed Articles contain an additional provision so that, for the period to 28 December 2012, the sum payable on each Convertible Redeemable share redeemed will be the 'Adjusted Redemption Sum'.

The Adjusted Redemption Sum is calculated by reference to the market value of the Ordinary shares into which the redeemed shares might otherwise have been converted, less the amount that would have been payable on such conversion, less a 15% discount on the net of these two amounts. As with the current Articles, the Adjusted Redemption Sum also includes the repayment of the amount paid up or credited as paid up on each Convertible Redeemable share redeemed.

The proposed change to the Articles is intended to accelerate conversion and/or redemption of the Convertible Redeemable shares, as set out in the Chairman's Statement accompanying the 2011 Annual Report.

The proposed Articles contain provisions which, for the period to 28 December 2012, permit the holders of the Convertible Redeemable shares to receive an enhanced return of capital (broadly in line with their rights on conversion) on a winding up of the Company.

3. **Variation of class rights**

It is proposed that the new Articles contain provisions which reflect the procedure in respect of varying class rights contained in the Companies Act 2006. These provisions state that such rights may be varied, modified, extended, abrogated or surrendered in such manner (if any) as may be provided by those rights.

4. **Information rights**

Provisions of the Companies Act 2006 permit the Company to serve notices upon its shareholders requiring information about interests in its shares. The proposed Articles permit the Company to require the provision of additional information in relation to any such notices (which is considered to be helpful to the Company for the purposes of further understanding any beneficial interests in its shares) and set out the circumstances in which that information is deemed to have been provided by a body corporate.

Form of Proxy

for the Class Meeting of the Ordinary Shareholders of Judges Scientific plc on 30 May 2012 at 12:00 noon at The Lansdowne Club, 9 Fitzmaurice Place, London W1X 6JD

If you are unable to attend the Class Meeting, you may appoint a proxy to exercise all or any of your rights to attend, speak and vote in your place. A proxy need not be a member of Judges Scientific plc but must attend the meeting to represent you. A proxy must vote as you have instructed. If you wish to appoint a proxy other than the Chairman of the meeting you may do so by crossing out the words 'Chairman of the meeting' and writing another proxy's name and address in the space provided. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. Please indicate for the Resolution how you wish your proxy to vote by placing a tick in the relevant box. If you do not tell your proxy how to vote, your proxy may vote or withhold his/her vote as he/she thinks fit on the Resolution or any other business at the meeting (including amendments to the Resolution).

I/We ______________________________ (Block Letters)

of ______________________________ appoint the

Chairman of the meeting or ______________________________ as my/our proxy in

respect of ______________________________ Ordinary shares to attend and, on a poll, to vote on my/our behalf at the Class Meeting of the Ordinary shareholders of Judges Scientific plc to be held at 12:00 noon on 30 May 2012, and at any adjournment(s) of that meeting.

		For	Against	Vote Withheld
1	Adoption of new Articles	☐	☐	☐

If this proxy is signed by someone else on your behalf, their authority must also be returned with this form. In the case of joint holdings, any one holder may sign this form. In the case of a corporation, the proxy must be executed under its common seal or under the hand of a duly authorised officer or attorney. Even if you complete and return this proxy form, you may still attend the meeting and vote in person should you later decide to do so.

Please sign here: ______________________________ Date: ______________

Please indicate here with an 'X' if this proxy is one of multiple appointments being made. ☐

Please post this form once you have completed it to the address printed overleaf. **To be valid, this form must be received no later than 48 weekday hours before the time fixed for holding the meeting or any adjournment thereof.**

Please refer to the notes in the Notice of Meeting to which this proxy relates if you require any assistance.

Any alterations to this form must be initialled.

Mailing address for Form of Proxy The Company Secretary, Judges Scientific plc, Unit 19, Charlwoods Road, East Grinstead, West Sussex RH19 2HL

Mailing address for Form of Proxy
The Company Secretary, Judges Scientific plc, Unit 19, Charlwoods Road,
East Grinstead, West Sussex RH19 2HL

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the ninth Annual General Meeting of Judges Scientific plc (the "Company") will be held at The Lansdowne Club, 9 Fitzmaurice Place, London W1X 6JD at 12:10 pm for the purpose of dealing with the following business of which items 6, 7, 8 and 9 are special business.

Ordinary Business

1. To receive and adopt the reports of the directors and the auditor and the audited financial statements of the Company for the year ended 31 December 2011.

2. To re-appoint Hon Alexander Hambro, who retires by rotation, as a director.

3. To re-appoint David Barnbrook, who retires by rotation, as a director.

4. To approve a final dividend of 6.7 pence per Ordinary share.

5. To re-appoint Grant Thornton UK LLP as auditor to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company and to authorise the directors to fix the remuneration of the auditor for the year ending 31 December 2012.

Special Business

To consider and, if thought fit, to pass the following resolutions, as to the resolution numbered 6 as an ordinary resolution and as to the resolutions numbered 7, 8 and 9 as special resolutions:

Ordinary Resolution

6. That the directors of the Company be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £216,548 provided that this authority unless renewed shall expire at the close of the next Annual General Meeting of the Company, save that the Company may before such expiry make any offer, agreement or other arrangement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors of the Company may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer, agreement or other arrangement as if the authority conferred hereby had not expired, this authority to replace any previous authority which is hereby revoked with immediate effect.

Special Resolutions

7. That, subject to the Company having obtained appropriate consent from the holders of the Ordinary shares and the Convertible Redeemable shares of the Company respectively in relation to the variation of the rights attaching thereto the regulations presented to the meeting and signed by the Company Secretary for the purpose of identification (the "New Articles") are hereby adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company.

8. That:

(a) subject to and conditional upon the passing of resolution 6 above, the directors of the Company be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined for the purposes of section 560 of the Act) for cash, pursuant to the authority granted by resolution 6 above, as if section 561 of the Act did not apply to any such allotment, provided that such power shall be limited to:

(i) the allotment of equity securities in connection with a relevant rights issue or open offer in favour of Ordinary shareholders where the equity securities attributable to the respective interests of all Ordinary shareholders are proportionate to the respective numbers of Ordinary shares held by them on the record date for such allotment, but subject to such exclusions as the directors may deem fit to deal with fractional entitlements or problems arising under the laws of any overseas territory or the requirements of any recognised regulatory body or stock exchange; and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities for cash up to an aggregate nominal amount of £216,548

and, unless previously renewed, revoked or varied, such power shall expire at the close of the next Annual General Meeting of the Company, save that the Company may before such expiry make any offer, agreement or other arrangement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of such offer, agreement or other arrangement as if the power conferred hereby had not expired.

(b) For the purposes of this resolution:

(i) "relevant rights issue" means an offer of equity securities open for acceptance for a period fixed by the directors of the Company to holders on the register on a fixed record date of Ordinary shares in the Company in proportion (or as nearly as may be practicable) to their respective holdings but subject in any case to such exclusions or other arrangements as the directors of the Company may deem necessary or desirable to deal with fractional entitlements or legal or practical problems under the laws of any overseas territory or the requirements of any recognised regulatory body or stock exchange; and

(ii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares, which may be allotted pursuant to such rights.

9. That the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares of 5 pence each in the capital of the

Company on such terms and in such manner as the directors of the Company may from time to time determine, provided that:

(a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 649,211 (representing approximately 14.99 per cent. of the Company's issued share capital);
(b) the minimum price which may be paid for such shares is the nominal value of 5 pence per Ordinary share (exclusive of expenses);
(c) unless the Company makes market purchases of its own Ordinary shares by way of a tender or partial offer made to all holders of Ordinary shares on the same terms, the maximum price (exclusive of expenses) which may be paid for an Ordinary share shall not be more than five per cent. above the average of the market values for an Ordinary share as derived from the AIM Appendix to the London Stock Exchange Official List for the five business days immediately preceding the date on which the Ordinary share is purchased;
(d) unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2013 or 15 months from the date of passing of this resolution, whichever shall be the earlier; and
(e) the Company may validly make a contract or contracts to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary shares in pursuance of any such contract or contracts.

By Order of the Board

RL Cohen	Registered Office:
Company Secretary	Unit 19, Charlwoods Road
	East Grinstead
4 May 2012	West Sussex RH19 2HL

Notes:

1 A member entitled to attend, speak and vote at the meeting convened by the Notice set out above is entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. A proxy need not be a member of the Company. A Form of Proxy is enclosed for your use. Please carefully read the instructions on how to complete the form.

2 To be valid, the instrument appointing a proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority, must be deposited at the registered office of the Company not less than 48 weekday hours before the time fixed for holding the meeting or any adjournment thereof.

3 To appoint more than one proxy you may photocopy the Form of Proxy. Please indicate the proxy holder's name and the number of shares in relation to which he/she is authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

4 The completion and return of a Form of Proxy will not preclude a member of the Company from subsequently attending and voting in person at the meeting should he/she so wish. If you appoint a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

5 Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, only those members registered in the Register of Members of the Company as at 12:10 pm on 28 May 2012 (being not more than 48 weekday hours prior to the time fixed for the Meeting) or, if the Meeting is adjourned, such time being not more than 48 weekday hours prior to the time fixed for the adjourned meeting are entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries in the Register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

6 In the case of joint holders the vote of the first-named holder on the Register of Members (whether voting in person or proxy) will be accepted to the exclusion of the votes of the other joint holders.

7 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representatives in accordance with those directions; or (ii) any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

8 David Cicurel and a number of other shareholders are deemed to be acting in concert with him and together hold at the date of this Notice 1,203,715 shares representing 27.8% of the issued share capital of the Company ("the Concert Party"). The directors note that Resolution 9 if passed by shareholders, is unlikely to be implemented in full until either the Concert Party's shareholding in the Company is appropriately diluted by an issue of new shares or the composition of the Concert Party is narrowed or shareholders pass a resolution to approve a "Rule 9" waiver from the Panel on Takeovers and Mergers, though no such waiver is currently being sought.

9 The Chairman of the Company, in his statement to shareholders accompanying the 2011 Annual Report, referred to the opinion of the directors that it would be beneficial to encourage the early conversion and/or redemption of the Convertible Redeemable shares. Resolution 7, if passed by shareholders, will introduce new Articles of Association to give effect to this aim. A fuller description of this change, together with a summary of other minor amendments, is attached as an Annex to the Notice of class meeting of Ordinary shareholders.

Form of Proxy

for the Annual General Meeting of **Judges Scientific plc** on 30 May 2012 at 12:10 pm at The Lansdowne Club, 9 Fitzmaurice Place, London W1X 6JD

If you are unable to attend the Annual General Meeting, you may appoint a proxy to exercise all or any of your rights to attend, speak and vote in your place. A proxy need not be a member of Judges Scientific plc but must attend the meeting to represent you. A proxy must vote as you have instructed. If you wish to appoint a proxy other than the Chairman of the meeting you may do so by crossing out the words 'Chairman of the meeting' and writing another proxy's name and address in the space provided. You may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different shares. Please indicate for each Resolution how you wish your proxy to vote by placing a tick in the relevant box. If you do not tell your proxy how to vote, your proxy may vote or withhold his/her vote as he/she thinks fit on the Resolutions or any other business at the meeting (including amendments to Resolutions).

I/We ____ (Block Letters)

of ____ appoint the

Chairman of the meeting or ______________________________________ as my/our proxy in

respect of ______________________________________ Ordinary shares to attend and, on a poll, to vote on my/our behalf at the Annual General Meeting of Judges Scientific plc to be held at 12:10 pm on 30 May 2012, and at any adjournment(s) of that meeting.

		For	Against	Vote Withheld
1	Approval and adoption of Annual Report and Accounts			
2	Re-appointment of Hon Alexander Hambro			
3	Re-appointment of David Barnbrook			
4	Approval of final dividend			
5	Re-appointment of auditor			
6	Authority to allot shares			
7	Adoption of new articles			
8	Authority to disapply pre-emption rights			
9	Authority to make market purchases			

If this proxy is signed by someone else on your behalf, their authority must also be returned with this form. In the case of joint holdings, any one holder may sign this form. In the case of a corporation, the proxy must be executed under its common seal or under the hand of a duly authorised officer or attorney. Even if you complete and return this proxy form, you may still attend the meeting and vote in person should you later decide to do so.

Please sign here: ______________________________ Date: ______________

Please indicate here with an 'X' if this proxy is one of multiple appointments being made. ☐

Please post this form once you have completed it to the address printed overleaf. **To be valid, this form must be received no later than 48 weekday hours before the time fixed for holding the meeting or any adjournment thereof.**

Please refer to the notes in the Notice of Meeting to which this proxy relates if you require any assistance.

Any alterations to this form must be initialled.

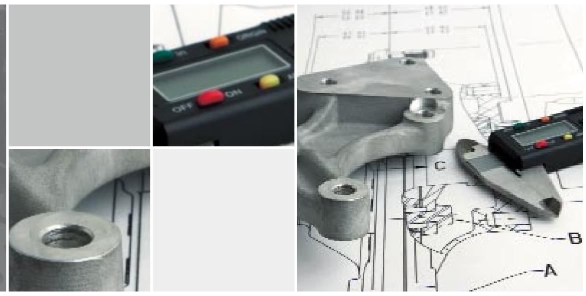
Mailing address for Form of Proxy The Company Secretary, Judges Scientific plc, Unit 19, Charlwoods Road East Grinstead, West Sussex RH19 2HL

Mailing address for Form of Proxy
The Company Secretary, Judges Scientific plc, Unit 19, Charlwoods Road,
East Grinstead, West Sussex RH19 2HL

Fold here

Fold here

COMPANY INFORMATION



Directors
The Hon. Alexander Robert Hambro (Non-Executive Chairman)
David Elie Cicurel (Chief Executive)
David Barnbrook (Chief Operating Officer)
Ralph Leslie Cohen (Finance Director)
Ralph Julian Elman (Non-Executive Director)
Glynn Carl Reece (Non-Executive Director)

Company Secretary
Ralph Leslie Cohen

Registered Office
Unit 19, Charlwoods Road
East Grinstead
West Sussex RH19 2HL

Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Nominated Adviser
Shore Capital and Corporate Ltd
Bond Street House
14 Clifford Street
London W1S 4JU

Stockbroker
Shore Capital Stockbrokers Ltd
Bond Street House
14 Clifford Street
London W1S 4JU

Auditor
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
Regent House
80 Regent Road
Leicester LE1 7NH

Principal Bankers
Lloyds Bank Corporate Markets
125 Colmore Row
Birmingham B3 3SF

Solicitors
Withers LLP
16 Old Bailey
London EC4M 7EG

Registered in England and Wales, Company No. 4597315

Judges Scientific plc

Judges Scientific plc
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