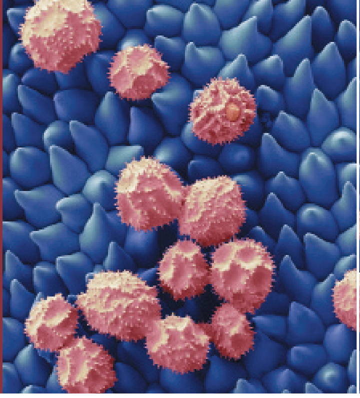
Judges Scientific plc

ANNUAL REPORT & ACCOUNTS | 2013



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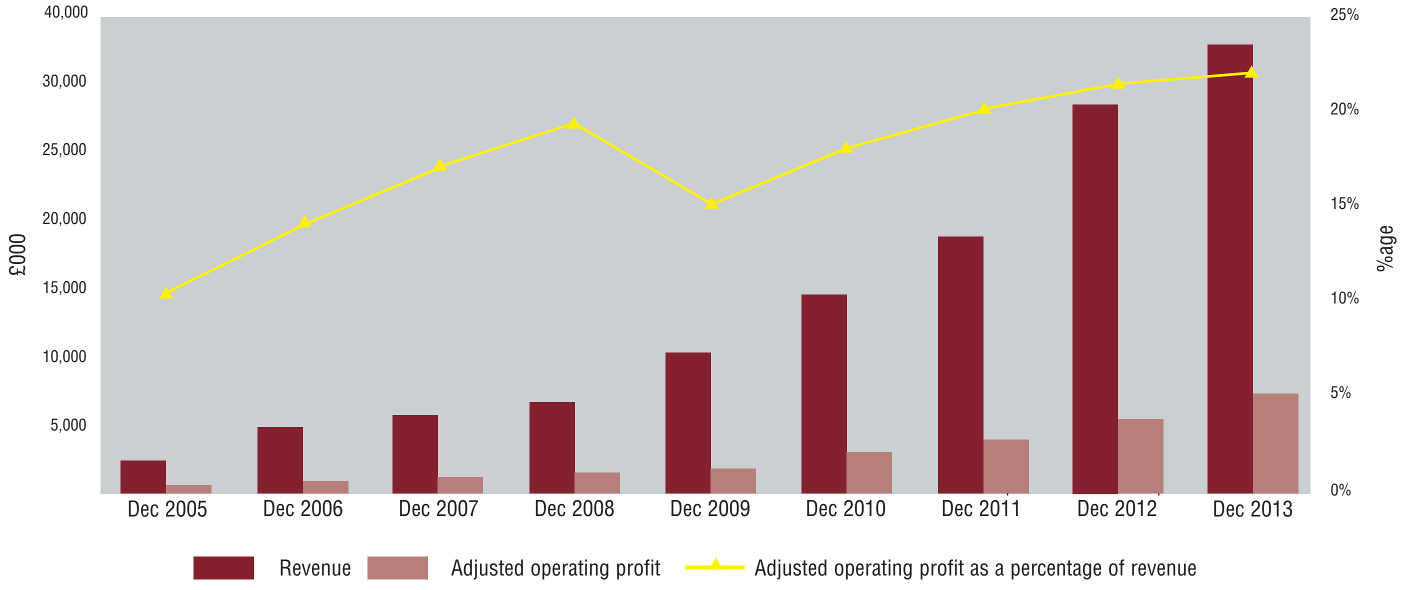
FTT iCone® Calorimeter -
the new benchmark in calorimetry

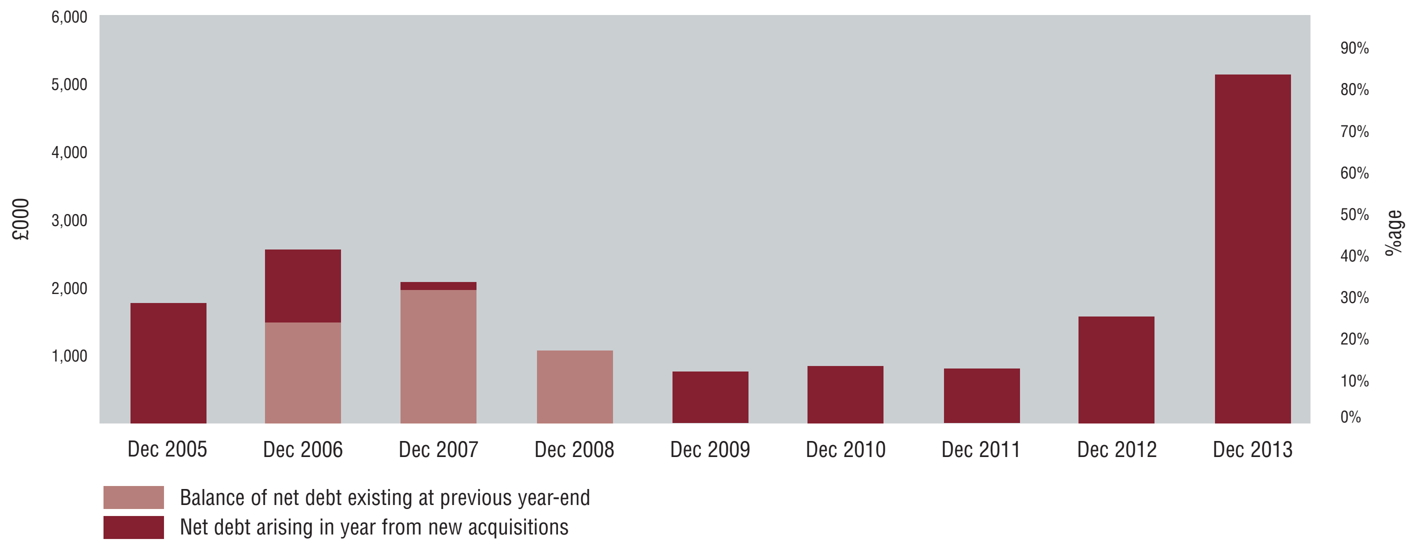
The Cone Calorimeter is the most significant bench scale instrument in the field of fire testing. It measures important real fire properties of the material being tested under a variety of pre-set conditions. The new iCone® Calorimeter developed by Fire Testing Technology features an interactive and intuitive interface, sophisticated control options and ConeCalc software. It incorporates many new features not seen by fire testing laboratories up until now while being compact, accurate, reliable and easily maintained.

Revenue and adjusted operating profit



Earnings, dividends and share price

Adjusted net debt



CHAIRMAN'S STATEMENT

Judges Chairman, Alex Hambro

I am pleased to be able to report, for the eighth consecutive year, record levels of sales, adjusted pre-tax profits, adjusted earnings per share and dividends.
Your Company enjoyed a successful year, which saw further corporate activity and a satisfactory trading performance achieved in a challenging economic environment.

Group revenues for the financial year ended 31 December 2013 advanced 28% from £28.0 million to £36.0 million. This reflects organic growth of 4.3% plus a full year's contribution from Global Digital Systems Limited ("GDS" - ten months in 2012) and a maiden six-month contribution from Scientifica Limited ("Scientifica").

Profit before tax, exceptional items and minorities increased by 30% to a record £7.3 million (2012: £5.6 million), with the operating contribution of the businesses owned as at 1 January 2012 growing by 13.8%. Basic earnings per share, before exceptional items, rose by 24% from 81.3p to 100.5p. This increase was achieved despite the dilution created by the 2012 and 2013 share placings and the conversion in 2012 of almost all of the Convertible Redeemable shares. Only 4.2% of the original Convertible Redeemable shares now remain outstanding. Fully diluted earnings per share, before exceptional items, progressed 31% to 96.4p (2012: 73.5p).

Exceptional items include the amortisation of intangible assets, acquisition expenses, tax relief arising from the issue of shares to employees and other non-trading items as set out in the income statement.
The accounting "loss" attributable to the few remaining Convertible Redeemable shares was reduced from £1.6 million to £340,000; this adjustment is expected to appear for the last time in 2014. Profit, including exceptional items but before tax and minorities, amounted to £1.2 million (2012: £321,000). Including exceptional items, basic earnings per share amounted to 23.4p (2012: 4.2p loss) while fully diluted earnings per share totalled 22.5p (2012: 4.2p loss).

Corporate activity

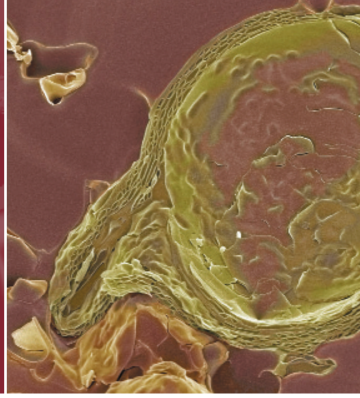
On 26 June 2013, Judges acquired the entire share capital of Scientifica, a leading specialist in the design and manufacture of systems used in neuroscience research.
The consideration amounted to £12.0 million in cash and an earn-out capped at £500,000 in cash and 42,372 Ordinary shares in Judges. The earn-out is based on Scientifica's financial performance in respect of the 12 month period to 31 March 2014. The acquisition was financed by an extension of the facilities provided by Lloyds Bank Corporate Markets and from existing cash resources.

In October 2013, the Company restored its ability to complete further acquisitions by raising new equity of £8.125 million before expenses. This was achieved through a placing of 500,000 new Ordinary shares priced at 1625p, which was substantially over-subscribed. In the main, the new Ordinary shares were placed with existing and several new institutional holders.

Trading in 2013

In common with many companies operating within our sector, the year under review proved distinctly challenging. Despite a promising start, the Company experienced weak order intake, particularly during the second quarter of the year. A gradual improvement as the year progressed culminated in an excellent fourth quarter.
I am pleased to report that this leaves the Group with a comfortable year-end order book of ten and a half weeks of budgeted sales.

Supported by a healthy order book at the beginning of 2013 and thanks in part to the diversity of the markets that we serve, the Group produced 4.3% organic growth in revenues. This encompassed a modest reduction in North America, but a solid advance in Europe. The respective revenues of GDS and Scientifica, both of which have increased strongly post acquisition, are not included in the figures for organic growth, these companies having been acquired after January 2012.



As highlighted in previous annual reports, the inevitable consequence of a large acquisition at a multiple of six times EBIT is to reduce the Company's Return On Total Invested Capital; this was again the case with Scientifica which served to reduce ROTIC from 40.3% in 2012 to 30.2% in 2013.

The development of the Stonecross factory was completed in the summer of 2013 and the UHV Design and Quorum businesses were successfully re-located into the new facility in August. Your Board expects these businesses to derive significant benefits during the current financial year and beyond from operating in this purpose-built unit.

Financial position

Net debt as at 31 December 2013 stood at £5.5 million; excluding subordinated debt owed to minority shareholders but including cash amounts still payable in respect of acquisitions, this figure rises to £5.7 million (2012: £1.7 million). The Group's cash position during the year reflected £12.4 million of net debt taken on to purchase Scientifica, £1.8 million spent in 2013 to complete the Stonecross factory and the net proceeds from the share placing.

Year-end cash balances progressed from £5.4 million to £10.1 million.

Dividends

Your Board is pleased to recommend a final dividend of 13.4p per share (2012: 10p per share) which, subject to approval at the forthcoming Annual General Meeting on 28 May 2014, will make a total distribution of 20.0p per share in respect of 2013 (2012: 15.0p per share). Despite the proposed increase, the dividend total is still covered five times by adjusted earnings per share.

The proposed final dividend will be payable on 4 July 2014 to shareholders on the register on 6 June 2014 and the shares will go ex-dividend on 4 June 2014.

Personnel

The Judges Share Incentive Plan was launched in 2012 to enable all employees with a minimum of 12 months' service to purchase shares in a tax efficient manner. In the coming tax year, the Company will continue to match individual employees' investments with free shares, up to a maximum value of £600.

The addition of Scientifica brings our total number of Group employees to more than 260 at the end of 2013. Each company within the Group has, in its own way, demonstrated resilience and dedication to its particular plans and the enthusiasm and energy of our stakeholders is the primary reason why this year's results have been so gratifying. Our thanks go to them and all the executive management for their continued commitment to Judges' future trajectory.

Current trading and prospects

Commercial activity in the early weeks of 2014 was sedate but, following the buoyant final quarter of the previous year, the Group continues to enjoy a robust order book. As in the past we are conscious of the potential impact of Sterling strengthening and of the Chinese economy weakening. Our export driven business should benefit from the best climate in the developed world since 2008 and it is hoped that it will not be spoilt by the political tensions playing out on the world stage.

Alex Hambro
Chairman
Date: 27 March 2014

STRATEGIC REPORT

Group activities and strategy

The company is the parent of a trading group involved in the design and manufacture of scientific instruments. Since its entry into this field of activity in 2005, the company's strategy has been to develop its business through a "buy-and-build" acquisitions programme. This has seen the purchase of businesses which meet exacting performance criteria, including a successful product range, an international customer profile and sustainable sales, profits and cash generation. Companies are acquired only when sensible terms can be negotiated with vendors, debt financing is used to the extent that it is available and remains within prudent parameters and the group's primary focus is to enrich shareholders through the repayment of debt.

Business review

The group's activities continued to show resilience in 2013, despite the economic difficulties that affect large parts of the global economy and the slow pace of recovery in even the more buoyant areas. On a like-for-like basis, increases were seen in 2013 in both revenues and profits. In addition to this organic growth, both Global Digital Systems Limited ("GDS", which was acquired in March 2012) and Scientifica Limited ("Scientifica", which was acquired in June 2013) performed fully in line with expectations. This combination of organic growth and earnings enhancement through acquisitions fuelled a 23% increase in earnings per share (undiluted, excluding exceptional items).

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 continue to struggle to bring public sector debt and spending under control. Movements in exchange rates also influence international competitiveness and trading margins. Sterling remained volatile in 2013 but followed a generally strengthening trend. In consequence, the Directors considered it prudent to maintain the group's hedging strategies, covering both existing exposure on a day-to-day basis throughout the year and affording some protection from prospective trading risks into 2014.

The company's business strategy 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, 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 cash). In 2012 the overall return computed in this manner amounted to 40.3%. Inevitably, when a material acquisition is made, the overall group ROTIC is diluted, given the profit multiples that such businesses command. This was the case in 2013, following the acquisition of Scientifica. Taking this into account, the directors view the 2013 ROTIC of 30.2% with satisfaction.

- **Acquisitions:** on 26 June 2013, the company acquired the entire issued share capital of Scientifica, a company which designs, manufactures and sells instruments used for the purpose of conducting electrophysiology research with a particular emphasis on neuroscience. Further details of this transaction are set out in note 31. The subsequent trading performance of this 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.
- **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 its performance against the overall group strategy. Undiluted earnings per share (excluding exceptional items) rose from 81.3p in 2012 to 100.5p in 2013; the directors note with satisfaction that this latter figure exceeds for the first time in a single year the price per share at which the company was floated on AIM in 2003. Net debt increased from £2,000,000 at 31 December 2012 to £5,500,000 at 31 December 2013, reflecting the acquisition of Scientifica, as described below. Dividends totalling 20.0p per share (2012: 15.0p) will be recommended in respect of 2013 (including those that have already been paid at the interim stage). These are covered 5 times by adjusted earnings per share (2012: 5.4 times), despite the proposed 33% increase in the dividend.
- **Revenue trends**
    - **The Materials Sciences group:** revenues increased by 14% in comparison with 2012. Approximately half of this increase was derived from the inclusion in 2013 of a full year of trading from GDS (2012: 10 months).
    - **The Vacuum group:** revenues rose by 41%, driven by the acquisition of Scientifica in June 2013. Strong growth was also seen at UHV Design.

Profitability

The group's operating profit margin (excluding exceptional items) progressed from 21.2% in 2012 to 21.7% in 2013.

Cash generation and management

Cash generated from operations amounted to £5,009,000 (2012: £6,360,000). The cash flow benefit accruing from a material increase in profits before exceptional items (aided by the contribution from the acquisition in the year of Scientifica) was offset by investments in working capital. Capital expenditure exceeded £2 million, the majority of which related to the construction of the new "Stonecross" factory in East Sussex.

The investment in the Scientifica acquisition resulted in an outflow (net of inherited cash) of £11,628,000, financed by bank loans and existing cash resources. Subsequent to the acquisition, the company conducted an £8.1 million share placing (£7.7 million net of costs) with the aim of restoring the group's financial capacity to complete further acquisitions. Consolidated net debt at 31 December 2013

amounted to £5,500,000, a level considered by the directors to reflect encouraging financial strength in the context of the size of the group's earnings and balance sheet.

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.
The group seeks, so far as is practicable, to mitigate these currency effects, as set out in note 29.

An important element of the group's business strategy 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 detailed 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 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 aid the examination of samples in optical and 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.

Capital management objectives

The group monitors capital on the basis of the 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 (27% at 31 December 2013, 2012: 16%) as they utilise bank funding to support their acquisition strategy. In pursuance of this policy, the directors concluded that the group's borrowing capacity had been stretched by the purchase of Scientifica to a point where further acquisition activity would be compromised; as a result, an £8.125 million (before expenses) placing of new shares was successfully completed in October 2013, thereby restoring the group's ability to complete further acquisitions.

The directors' capital management strategy is 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.

On behalf of the board

RL Cohen
Director and Company Secretary
Judges Scientific plc
Company registration number: 4597315
27 March 2014

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2013.

Results and dividends

The results for the financial year to 31 December 2013 are set out in the Consolidated Statement of Comprehensive Income. The company paid an interim dividend of 6.6p per Ordinary share on 8 November 2013. At the forthcoming Annual General Meeting, the directors will recommend payment of a final dividend for the year of 13.4p per Ordinary share to be paid on Friday 4 July 2014 to shareholders on the register on Friday 6 June 2014. The shares will go ex-dividend on Wednesday 4 June 2014.

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 difficult trading environment in 2013 but overall the group went into 2014 with a robust order book. Nevertheless, the global economic environment remains uncertain. The directors consider the financial position of the group to be healthy, with cash balances at 31 December 2013 in excess of £10 million and net debt of just £5,500,000. 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.

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 and which are summarised below. Except as stated, the policies have remained unchanged from previous years.

1. Interest rate risk

The group finances its operations through a mixture of bank borrowings, equity and retained profits. With net debt of just £5,039,000 at 31 December 2013 (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; however, the group's loans are subject to interest rate hedges, as described in note 29.

2. 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.

3. 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.

4. Currency risk

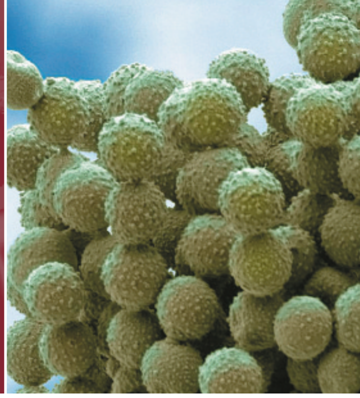
With exports representing a significant proportion of its sales, the main risk area to which the group is exposed is that of foreign currencies (principally US$ and Euros). The group adopts a strategy to hedge against this risk by entering into currency options and/or by maintaining a proportion of its 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. For the past two years, forward and option contracts have been entered into in both US$ and Euros maturing in the subsequent year; these were aimed at protecting the ensuing year's competitive position and margins from adverse currency movements.

5. 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 Ordinary share price. As described in note 25, the great majority of the Convertible Redeemable shares were converted or redeemed during 2012, with the remainder expected to follow by 31 December 2014 or soon thereafter.

6. Cash flow risk

The group manages its cash flow through a mixture of working capital, bank borrowings, equity and retained profits. With net debt at 31 December 2013 of just £5,500,000 and cash and cash equivalents of £10,054,000, the group's cash position is considered to be one of its key strengths.



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 2013		1 January 2013	
	Shares	Options	Shares	Options
Hon AR Hambro	92,500	-	110,000	-
Mr DE Cicurel	916,389	1,775	916,236	-
Mr D Barnbrook	22,381	28,325	22,248	50,000
Mr RL Cohen	50,907	44,875	50,755	43,100
Mr RJ Elman	32,429	-	82,429	-
Mr GC Reece	-	-	-	-

Dividends paid in the year to directors who hold shares amounted to £196,000 in aggregate (2012: £108,000).

Details of share options and Share Incentive Plan purchases by directors are set out in note 24.

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

	Convertible Redeemable of 1p each (quarter-paid)	
	31 December 2013	1 January 2013
	Shares	Shares
Mr RJ Elman	208,333	208,333

The conversion terms of the Convertible Redeemable shares and movements in the year are detailed in note 25. Following a full conversion of the remaining Convertible Redeemable shares to Ordinary shares, Mr Elman's interests in the enlarged share capital of the company as at 31 December 2013 would have increased by 29,459 shares to 61,888 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	2013 Total	2012 Total
	£000	£000	£000	£000	£000	£000
Non Executive Directors						
Hon AR Hambro	30	-	-	-	30	25
Mr RJ Elman	20	-	-	-	20	15
Mr GC Reece	37	-	-	-	37	20
Executive Directors						
Mr DE Cicurel	150	30	-	4	184	166
Mr D Barnbrook	121	24	6	15	166	157
Mr RL Cohen	130	25	-	6	161	154
Total	488	79	6	25	598	537

During 2013 one director exercised share options as disclosed under note 24.

During 2012 five directors converted and/or redeemed some or all of their holdings of Convertible Redeemable shares. Under current tax law, conversions of these shares are considered to give rise to deemed "remuneration", the amounts of which were as follows. There were no conversions during 2013:

	2013 Total £000	2012 Total £000
Hon AR Hambro	-	38
Mr RJ Elman	-	8
Mr DE Cicurel	-	313
Mr D Barnbrook	-	8
Mr RL Cohen	-	8

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 accounting 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

Being AIM listed, the Company is not required to and does not fully comply with the UK Corporate Governance Code. However, drawing upon best practice, 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.

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 16 days (2012: 22 days).

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
27 March 2014

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements of Judges Scientific plc for the year ended 31 December 2013 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 31. 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 Financial Reporting Council'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 2013 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 Strategic Report and 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:

Under the Companies Act 2006 we are required 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 2013.

Philip Sayers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
27 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2013 Before exceptional items £000	2013 Exceptional items £000	2013 Total £000	2012 Before exceptional items £000	2012 Exceptional items £000	2012 Total £000
Revenue	7	36,041	-	36,041	28,041	-	28,041
Operating costs excluding exceptional items	8	(28,228)	-	(28,228)	(22,097)	-	(22,097)
Operating profit excluding exceptional items		7,813	-	7,813	5,944	-	5,944
Exceptional items							
Amortisation of intangible assets	16	-	(4,498)	(4,498)	-	(3,294)	(3,294)
Contingent consideration measured at fair value	31	-	(317)	(317)	-	-	-
Financial instruments measured at fair value							
Convertible Redeemable shares	25	-	(340)	(340)	-	(1,573)	(1,573)
Hedging contracts		-	24	24	-	-	-
Relocation costs	8	-	(158)	(158)	-	-	-
Acquisition costs	31	-	(794)	(794)	-	(444)	(444)
Operating profit/(loss)		7,813	(6,083)	1,730	5,944	(5,311)	633
Interest receivable	10	6	-	6	7	-	7
Interest payable	10	(497)	-	(497)	(319)	-	(319)
Profit/(loss) before tax		7,322	(6,083)	1,239	5,632	(5,311)	321
Taxation	11	(1,530)	1,632	102	(1,302)	850	(452)
Profit/(loss) and total comprehensive income for the year		5,792	(4,451)	1,341	4,330	(4,461)	(131)
Attributable to:							
Equity holders of the parent company		5,444	(4,178)	1,266	3,887	(4,087)	(200)
Non-controlling interest		348	(273)	75	443	(374)	69
Earnings per share - total and continuing							
Basic	13	100.5p	-	23.4p	81.3p	-	(4.2)p
Diluted	13	96.4p	-	22.5p	73.5p	-	(4.2)p

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	2013 £000	2012 £000
ASSETS			
Non-current assets			
Property, plant and equipment	14	4,695	2,702
Goodwill	15	8,678	5,809
Other intangible assets	16	12,913	7,095
		26,286	15,606
Current assets			
Inventories	17	5,824	3,529
Trade and other receivables	18	6,547	3,988
Cash and cash equivalents		10,054	5,418
		22,425	12,935
Total assets		48,711	28,541
LIABILITIES			
Current liabilities			
Trade and other payables	19	(6,075)	(5,659)
Derivative financial instruments: Convertible Redeemable shares	25	(574)	(234)
Payables relating to acquisitions		(1,554)	(246)
Current portion of long-term borrowings	20	(4,043)	(2,028)
Current tax payable		(1,320)	(633)
		(13,566)	(8,800)
Non-current liabilities			
Long-term borrowings	21	(11,547)	(5,390)
Deferred tax liabilities	23	(2,704)	(1,562)
		(14,251)	(6,952)
Total liabilities		(27,817)	(15,752)
Net assets		20,894	12,789
EQUITY			
Share capital	24	293	265
Share premium account		14,186	6,467
Capital redemption reserve		22	22
Merger reserve		475	475
Retained earnings		5,635	5,254
Equity attributable to equity holders of the parent company		20,611	12,483
Non-controlling interest		283	306
Total equity		20,894	12,789

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

The financial statements were approved by the board on 27 March 2014

D.E. Cicurel
Director

R.L. Cohen
Director

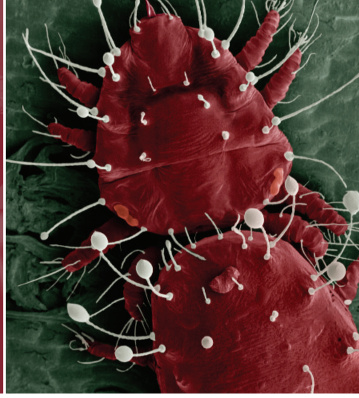
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 2013		265	6,467	22	475	5,254	12,483	306	12,789
Dividends	12	-	-	-	-	(885)	(885)	(98)	(983)
Issue of share capital	24	28	7,719	-	-	-	7,747	-	7,747
Transactions with owners		28	7,719	-	-	(885)	6,862	(98)	6,764
Profit for the year		-	-	-	-	1,266	1,266	75	1,341
Total comprehensive income for the year		-	-	-	-	1,266	1,266	75	1,341
Balance at 31 December 2013		293	14,186	22	475	5,635	20,611	283	20,894
Balance at 1 January 2012		214	3,195	3	475	3,489	7,376	335	7,711
Dividends	12	-	-	-	-	(587)	(587)	(98)	(685)
Issue of share capital	24	51	3,272	-	-	-	3,323	-	3,323
Arising on conversion and redemption of Convertible Redeemable shares	25	-	-	19	-	2,552	2,571	-	2,571
Transactions with owners		51	3,272	19	-	1,965	5,307	(98)	5,209
(Loss)/profit for the year		-	-	-	-	(200)	(200)	69	(131)
Total comprehensive income for the year		-	-	-	-	(200)	(200)	69	(131)
Balance at 31 December 2012		265	6,467	22	475	5,254	12,483	306	12,789

* - 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



	2013	2012
	£000	£000
Cash flows from operating activities		
Profit/(loss) after tax	1,341	(131)
Adjustments for:		
Financial instruments measured at fair value		
Convertible Redeemable shares	340	1,573
Hedging contracts	(24)	-
Contingent consideration measured at fair value	317	-
Depreciation	292	235
Amortisation of intangible assets	4,498	3,294
Loss on disposal of property, plant and equipment	18	-
Foreign exchange loss/(gain) on foreign currency loans	127	(78)
Interest receivable	(6)	(7)
Interest payable	497	319
Tax expense recognised in income statement	(102)	452
Increase in inventories	(783)	(581)
(Increase)/decrease in trade and other receivables	(798)	277
(Decrease)/increase in trade and other payables	(709)	1,007
Cash generated from operations	5,008	6,360
Interest paid	(497)	(324)
Tax paid	(840)	(1,374)
Net cash from operating activities	3,671	4,662
Cash flows from investing activities		
Paid on acquisition of new subsidiary	(13,400)	(8,022)
Gross cash inherited on acquisition	1,772	1,378
Acquisition of subsidiaries, net of cash acquired	(11,628)	(6,644)
Paid on the acquisition of trade and certain assets	(91)	(94)
Purchase of property, plant and equipment	(2,080)	(909)
Interest received	6	7
Net cash used in investing activities	(13,793)	(7,640)
Cash flows from financing activities		
Proceeds from issue of share capital	7,747	3,323
Repaid on conversion/redemption of Convertible Redeemable shares	-	(516)
Repayments of borrowings	(1,776)	(3,155)
Proceeds from bank loans	9,770	5,475
Dividends paid - equity share holders	(885)	(587)
Dividends paid - non-controlling interest in subsidiary	(98)	(98)
Net cash from financing activities	14,758	4,442
Net increase in cash and cash equivalents	4,636	1,464
Cash and cash equivalents at beginning of year	5,418	3,954
Cash and cash equivalents at end of year	10,054	5,418

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 2013.

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 are required as to intangible asset carrying values, their useful lives 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

IFRS 13 'Fair Value Measurement' (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Group has however included as comparative information the IFRS 13 disclosures that were required previously by IFRS 7 'Financial Instruments: Disclosures'.

The Group has applied IFRS 13 for the first time in the current year (see note 28).

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 10 Consolidated Financial Statements (EU effective date1 January 2014)

IFRS 11 Joint Arrangements (EU effective date 1 January 2014)

IFRS 12 Disclosure of Interests in Other Entities (EU effective date 1 January 2014)

IAS 27 (Revised), Separate Financial Statements (EU effective date 1 January 2014)

IAS 28 (Revised), Investments in Associates and Joint Ventures (EU effective date 1 January 2014)

Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (EU effective date 1 January 2014)

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)

IFRIC Interpretation 21 Levies (effective 1 January 2014)

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective 1 January 2014)

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective 1 January 2014)

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (IASB effective date 1 July 2014)

IFRS 9 Financial Instruments (no mandatory effective date)

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 2013. 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 acquisition method. The acquisition 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:

- sales 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	3 years
Non-competition agreements	2 years
Distribution agreements	Between 2 and 5 years
Research and development	5 years
Sales order backlog	On shipment
Brand and domain names	Between 1 and 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 disposal of an asset

6.6 Property, plant and equipment - continued

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 lease 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 is 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), interest rate swaps and foreign currency options 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.

Interest rate swaps and foreign currency options are treated as derivative financial instruments and are accounted for at fair value through profit and loss.

6.13 Financial liabilities - continued

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 a 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 profit and loss. 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

Exceptional items (and their related tax impact) are those which by their size or nature are disclosed separately for the purposes of presenting results and earnings per share figures so as to inform users of the financial statements.

6.21 Research and development

Research and development expenditure is recognised in the Income Statement as an expense as incurred until it can be demonstrated that the conditions for capitalisation under IAS 38 apply.

The criteria for capitalisation include demonstration that the project is technically and commercially feasible, the Group has sufficient resources to complete development and that the asset will generate probable future economic benefit.

No research and development expenditure has been capitalised to date. Research and development expenditure was not disclosed in the prior year accounts. The 2012 expenditure has not been disclosed in the current year accounts due to the difficulty in obtaining accurate information for this period.

7. Segment reporting

7.1 Identification of reportable segments

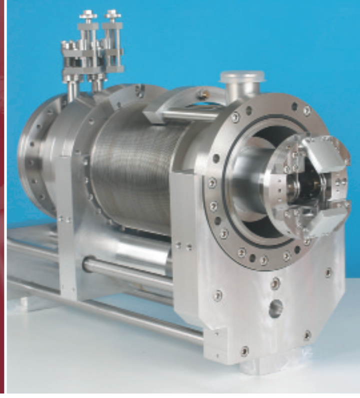
The group's activities are predominantly in or in support of the design and manufacture of scientific instruments. The group operates two main operating segments: the Materials Sciences group and the Vacuum group. No operating segments have been aggregated.

7.2 Management of operating segments

The operating segments are monitored by the group's Chief Operating Decision Maker. 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:

2013	Materials Sciences	Vacuum	Total
	£000	£000	£000
Consolidated group revenues from external customers	14,764	21,277	36,041
Contributions to group EBITA	3,710	4,631	8,341
Depreciation	91	177	268
Amortisation of intangible assets	1,647	2,851	4,498
Segment assets	7,375	13,234	20,609
Segment liabilities	5,009	21,225	26,234
Intangible assets - goodwill	5,156	3,522	8,678
Other intangible assets	4,156	8,757	12,913
Additions to non-current assets	39	13,647	13,686

2012	Materials Sciences	Vacuum	Total
	£000	£000	£000
Consolidated group revenues from external customers	12,949	15,092	28,041
Contributions to group EBITA	3,448	2,700	6,148
Depreciation	72	155	227
Amortisation of intangible assets	2,184	1,110	3,294
Segment assets	6,141	6,273	12,414
Segment liabilities	3,180	5,764	8,944
Intangible assets - goodwill	5,157	652	5,809
Other intangible assets	5,802	1,293	7,095
Additions to non-current assets	8,740	174	8,914

Segment 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.

	2013		2012	
	Revenue	Non-current assets	Revenue	Non-current assets
	£000	£000	£000	£000
United Kingdom (domicile)	6,680	26,286	3,517	15,606
Rest of Europe	11,434	-	9,375	-
United States/Canada	6,055	-	4,434	-
Rest of the world	11,872	-	10,715	-
Total	36,041	26,286	28,041	15,606

7.4 Segment analysis - continued

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

	2013	2012
	£000	£000
Contribution to group EBITA		
Total contribution to group EBITA	8,341	6,148
Expenses not allocated	(980)	(806)
Exceptional items		
Amortisation of intangible assets	(4,498)	(3,294)
Contingent consideration measured at fair value	(317)	-
Financial instruments measured at fair value		
Convertible Redeemable shares	(340)	(1,573)
Hedging contracts	24	-
Relocation costs	(158)	-
Acquisition costs attributable to group	(794)	(428)
Acquisition costs attributable to non-controlling interest	-	(16)
Acquisition costs expensed	(794)	(444)
Elimination of non-controlling interest adjustment in contribution to group EBITA	452	602
Operating profit after exceptional items	1,730	633
Interest receivable	6	7
Interest payable	(497)	(319)
Profit before tax	1,239	321
Depreciation		
Total segment depreciation charge	268	227
Head office depreciation not allocated	24	8
Consolidated depreciation charge	292	235
Segment assets and liabilities		
Total segment assets	20,609	12,414
Parent company assets (excluding corporation tax)	16,510	5,667
Assets eliminated on consolidation	(9,999)	(2,444)
Other assets - goodwill	8,678	5,809
Other assets - intangible assets	12,913	7,095
Consolidated total assets	48,711	28,541
Total segment liabilities	26,234	8,944
Parent company liabilities	6,661	5,578
Derivative financial instruments	574	234
Liabilities eliminated on consolidation	(11,312)	(2,441)
Acquisition related loans	1,316	1,316
Other liabilities	1,711	583
Convertible Redeemable shares	1	1
Deferred tax	2,632	1,537
Consolidated total liabilities	27,817	15,752

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 £3,318,000 (2012: £1,540,000) in respect of two freehold properties. One is partly let at open market value to a member of the Materials Sciences segment, whilst the other is let at open market value to two members of the Vacuum segment.

8. Operating costs

	2013 £000	2012 £000
Raw materials and consumables	14,232	11,334
Other external charges	4,435	3,424
Staff costs	9,269	7,104
Depreciation	292	235
Other operating costs, excluding exceptional items	28,228	22,097
Charge relating to derivative financial instruments	340	1,573
Contingent consideration measured at fair value	317	-
Hedging contracts	(24)	-
Relocation costs	158	-
Amortisation of intangible assets	4,498	3,294
Acquisition costs	794	444
Total operating costs, including exceptional items	34,311	27,408

Relocation costs relate to the rehousing of the Quorum Technologies Limited and UHV Design Limited operations from their pre-existing sites into the new factory at Laughton, East Sussex, owned by Judges Scientific plc. The costs include the physical relocation and related staff expenditure. These are one-off costs and the directors consider that they should be classed as exceptional.

Research and development expensed in the year totalled £1,366,000. This does not include amortisation of research and development intangibles arising on acquisition.

9. Operating profit

	2013 £000	2012 £000
Operating profit is stated after charging:		
Fees payable to the company's auditor		
for the audit of the company's annual accounts	20	20
Fees payable to the company's auditor for other services:		
for the audit of the company's subsidiaries, pursuant to legislation	70	60
for tax services	29	17
for corporate finance transactions	66	53
for all other services	13	6
Depreciation	292	235
Crystallised loss on foreign exchange (prior to accounting for enhanced gross profits estimated in a similar amount arising from currency movements)	431	147
Amortisation of intangible assets	4,498	3,294
Operating lease rentals - land and property	322	270
Operating lease rentals - vehicles	24	22

10. Interest receivable and payable

	2013 £000	2012 £000
Interest receivable - short-term bank deposits	6	7
Interest payable - bank loans	(497)	(319)
Net interest payable	(491)	(312)

11. Taxation

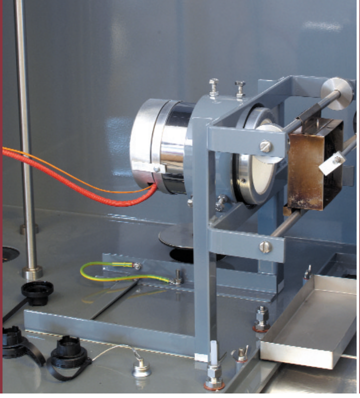
	2013 £000	2012 £000
UK corporation tax at 23.25% (2012: 24.5%)		
Current year	1,339	1,099
Prior years	(163)	(95)
	1,176	1,004
Deferred tax - origination and reversal of temporary differences:		
Current year - excluding derivative financial instruments	(1,271)	(973)
Current year - derivative financial instruments	-	426
	(1,271)	(547)
Prior years	(7)	(5)
	(1,278)	(552)
Tax on profit for the year - current year	68	552
Tax on profit for the year - prior years	(170)	(100)
	(102)	452
Factors affecting the tax charge for the year:		
Profit before tax	1,239	321
Profit before tax multiplied by standard rate of UK corporation tax of 23.25% (2012: 24.5%)	288	76
Carry back against prior year losses	(40)	-
Exercise of share options	(154)	(138)
Provisions and expenditure not deductible for tax purposes	128	60
Derivative charge	79	707
Contingent consideration	74	-
Other differences	(19)	3
Change in the rate of corporation tax	(288)	(156)
Tax on profit for the year - current year	68	552
Tax on profit for the year - prior years	(170)	(100)
Total net taxation (credit)/charge	(102)	452

12. Dividends

	2013 p/share	2013 £000	2012 p/share	2012 £000
Final dividend for the previous year	10.0	532	6.7	325
Interim dividend for the current year	6.6	353	5.0	262
	16.6	885	11.7	587

The directors will propose a final dividend of 13.4p per share, amounting to £791,000, for payment on 4 July 2014. 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 £98,000 in the year (2012: £98,000).



13. Earnings per share

Options over Ordinary shares and rights of conversion of the Convertible Redeemable shares are described in notes 24 and 25. The calculation of basic earnings per share is derived from 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 derived from 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 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.

No account has been taken in the figures below of shares that will be issued to the vendors of Scientifica Limited in the event that profits of that company in the twelve months period ending 31 March 2014 are above the rate prevailing at the time of acquisition. This is in accordance with IAS 33 - Earnings per Share. Reconciliations of the earnings and the weighted average number of shares used in the calculations are set out below:

Year to 31 December 2013	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	1,266		
Add-back exceptional items net of tax and non-controlling interest, as applicable:			
Charge relating to derivative financial instruments			
Hedging contracts	(18)		
Convertible Redeemable shares	340		
Contingent consideration measured at fair value	317		
Tax relief on exercise of share options	(154)		
Amortisation of intangible assets	2,897		
Acquisition-related transactions costs	716		
Relocation costs	120		
Utilisation of prior year tax losses	(40)		
Basic and diluted profit after tax, excluding exceptional terms	5,444		
Number of shares for calculation of basic earnings per share including exceptional items		5,417,971	
Effect of potential shares		201,205	
Number of shares for calculation of diluted earnings per share including exceptional items		5,619,176	
Dilutive effect of potential derivative financial instruments		26,068	
Number of shares for calculation of diluted earnings per share excluding exceptional items		5,645,244	
Basic earnings per share (including exceptional items)			23.4
Diluted earnings per share (including exceptional items)			22.5
Basic earnings per share (excluding exceptional items)			100.5
Diluted earnings per share (excluding exceptional items)			96.4

Year to 31 December 2012	Earnings attributable to equity holders of the parent company £000	Weighted average number of shares no.	Earnings per share pence
Loss after tax including exceptional items for calculation of basic and diluted earnings per share	(200)		
Add-back exceptional items net of tax and non-controlling interest, as applicable:			
Charge relating to derivative financial instruments			
Convertible Redeemable shares	1,895		
Tax relief on exercise of share options	(133)		
Amortisation of intangible assets	1,972		
Acquisition-related transactions costs	358		
Utilisation of prior year tax losses	(5)		
Basic and diluted profit after tax, excluding exceptional items	3,887		
Number of shares for calculation of basic earnings per share including exceptional items		4,780,562	
Dilutive effect of potential shares		209,208	
Number of shares for calculation of diluted earnings per share including exceptional items		4,989,770	
Dilutive effect of potential derivative financial instruments		299,106	
Number of shares for calculation of diluted earnings per share excluding exceptional items		5,288,876	
Basic earnings per share (including exceptional items)			(4.2)
Diluted earnings per share (including exceptional items)			(4.2)
Basic earnings per share (excluding exceptional items)			81.3
Diluted earnings per share (excluding exceptional items)			73.5

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 2012	466	376	95	1,681	2,618
Additions	167	196	13	573	949
Acquisitions	-	25	-	23	48
31 December 2012	633	597	108	2,277	3,615
Additions	38	159	67	1,816	2,080
Acquisitions	-	67	37	119	223
Disposals	(22)	(34)	(28)	(59)	(143)
31 December 2013	649	789	184	4,153	5,775
Depreciation					
1 January 2012	337	209	47	85	678
Charge	65	97	28	45	235
31 December 2012	402	306	75	130	913
Charge	63	120	39	70	292
Disposals	(12)	(26)	(28)	(59)	(125)
31 December 2013	453	400	86	141	1,080
Net book value – 31 December 2013	196	389	98	4,012	4,695
Net book value – 31 December 2012	231	291	33	2,147	2,702

Included in the net book value of property and building improvements at 31 December 2013 is £2,764,000 (2012: £978,000) relating to the development of a new factory in Laughton, East Sussex. Quorum Technologies Limited and UHV Design Limited relocated to the premises in September 2013.
The remaining contractual commitment under this project, not provided for in these financial statements, amounted to £36,000 at 31 December 2013 (2012: £2,000,000). The net book value of plant, machinery and vehicles included above held under finance leases and hire purchase contracts amounted to £70,000 at 31 December 2013 (2012: £nil).

15. Goodwill

	2013	2012
	£000	£000
Cost		
1 January	5,809	5,316
Addition in year	2,869	493
31 December	8,678	5,809

An analysis of goodwill by operating segment is given in note 7. The increase in goodwill during 2013 related to the acquisition of Scientifica Limited.

There have been no impairment charges in either 2013 or 2012. Goodwill is tested annually for impairment by reference to the value in use of the relevant cash generating units, which are the group's operating 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 10.6% (2012: 11.3%) 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 2013.

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 2012	497	716	430	563	592	1,563	4,361
Additions	-	803	2,500	792	2,300	1,861	8,256
31 December 2012	497	1,519	2,930	1,355	2,892	3,424	12,617
Additions	-	430	1,508	921	4,456	3,001	10,316
31 December 2013	497	1,949	4,438	2,276	7,348	6,425	22,933
Amortisation and impairment							
1 January 2012	210	524	132	563	233	566	2,228
Charge for the year	238	302	502	792	492	968	3,294
31 December 2012	448	826	634	1,355	725	1,534	5,522
Charge for the year	49	257	737	921	995	1,539	4,498
31 December 2013	497	1,083	1,371	2,276	1,720	3,073	10,020
Carrying amount 31 December 2013	-	866	3,067	-	5,628	3,352	12,913
Carrying amount 31 December 2012	49	693	2,296	-	2,167	1,890	7,095

An analysis of other intangible assets by business segment is given in note 7. The additions to other intangible assets during 2013 relate to the acquisition of Scientifica Limited.

17. Inventories

	2013 £000	2012 £000
Raw materials	4,326	2,499
Work in progress	848	857
Finished goods	650	173
	5,824	3,529

In 2013, a total of £14,232,000 of inventories was included in the income statement as an expense (2012: £11,334,000). This includes an amount of £52,000 (2012: £28,000) resulting from write-downs of inventories and an amount of £64,000 (2012: £101,000) which is the reversal of previous write-downs. The carrying amount of inventories held at fair value less costs to sell is £463,000 (2012: £31,000). All group inventories form part of the assets pledged as security in respect of bank loans.

18. Trade and other receivables

	2013 £000	2012 £000
Trade receivables	5,595	3,370
Prepayments and accrued income	417	325
Other receivables	535	293
	6,547	3,988

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:

	2013 £000	2012 £000
Not more than 3 months	2,189	1,238
More than 3 months but not more than 6 months	737	270
More than 6 months but not more than 1 year	131	7
Greater than one year	12	-
	3,069	1,515

19. Trade and other payables

	2013 £000	2012 £000
Trade payables	3,617	3,286
Accruals and deferred income	1,694	1,554
Social security and other taxes	428	256
Other payables	336	563
	6,075	5,659

All amounts are short-term and their carrying values are considered reasonable approximations of fair value.
Other payables include £521 (2012: £521) of non equity shares classed as financial liabilities (see note 25).

20. Current portion of long-term borrowings

	2013 £000	2012 £000
Bank loans	3,523	1,531
Subordinated loans	497	497
Net obligations under hire purchase contracts	23	-
	4,043	2,028

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

	2013 £000	2012 £000
Bank loans	11,519	5,390
Net obligations under hire purchase contracts	28	-
	11,547	5,390

Borrowings comprise four bank loans and a mortgage secured on assets of the group. The hire purchase obligations are secured on the related assets. The repayment profile of borrowings is as set out in note 22:

- The first loan is repayable in quarterly instalments over the period ending 31 March 2017 and bears interest at 3.35% 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.
- The fourth loan is repayable in quarterly instalments over the period ending 30 June 2018 and bears interest at 2.75% above LIBOR-related rates.
- The mortgage is repayable in quarterly instalments over the period ending 31 December 2016 with a final payment in March 2017 and bears interest at 3.35% above LIBOR-related rates.

22. Maturity of borrowings and net debt

31 December 2013	Bank loan £000	Subordinated loans £000	Total £000
Repayable in less than 6 months	2,069	497	2,566
Repayable in months 7 to 12	2,036	-	2,036
Current portion of long-term borrowings	4,105	497	4,602
Repayable in years 1 to 5	12,331	-	12,331
Later than 5 years	11	-	11
Total borrowings	16,447	497	16,944
Less: interest included above	1,405	-	1,405
cash and cash equivalents	10,054	-	10,054
Total net debt	4,988	497	5,485

In addition, hire purchase debts amounted to £51,000.

31 December 2012	Bank loan £000	Subordinated loans £000	Total £000
Repayable in less than 6 months	934	497	1,431
Repayable in months 7 to 12	919	-	919
Current portion of long-term borrowings	1,853	497	2,350
Repayable in years 1 to 5	5,832	-	5,832
Later than 5 years	59	-	59
Total borrowings	7,744	497	8,241
Less: interest included above	823	-	823
cash and cash equivalents	5,418	-	5,418
Total net debt	1,503	497	2,000

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 2013 of loans denominated in Euros was £499,000 (2012: £1,460,000). These amounts are included in the figures above for bank loans, repayable in years 1 to 5.

23. Deferred tax liabilities

	2013 £000	2012 £000
1 January	1,562	122
Acquisition in year - amount recognised	48	3
Acquisition in year - attributable to intangible assets	2,372	1,989
Credit to income statement in the year	(1,278)	(978)
Attributable to the derivative financial instruments	-	426
31 December	2,704	1,562
Deferred tax balances relate to temporary differences as follows:		
Accelerated capital allowances	72	25
Provisions allowable for tax in subsequent period	5	(45)
Intangible assets	2,627	1,582
Total	2,704	1,562

Amounts provided in respect of deferred tax are computed at 21% (2012: 23%).

24. Share capital

	2013 £000	2012 £000
Allotted, called up and fully paid - Ordinary shares of 5p each		
1 January: 5,312,499 shares (2012: 4,289,967)	265	214
Placing of 500,000 new Ordinary shares at 1625p/share (2012: 500,000 shares at 600p/share)	25	25
Exercise of share options: 49,771 shares (2012: 89,900)	3	4
Conversion of Convertible Redeemable shares: nil (2012: 423,632 shares)	-	22
31 December: 5,862,270 shares (2012: 5,312,499)	293	265

Allotments of Ordinary shares in 2013 were made:

- by way of the above placing on 18 October, when the share price was 1747.5p, with the aim of restoring the group's financial capacity to complete further acquisitions following the purchase of Scientifica Limited in June 2013; and
- to satisfy the exercise of 49,771 share options in aggregate on 11 occasions during the year when the share price was within the range of 975.0p to 1830.0p (2012: the exercise of 89,900 share options when the share price was within the range 626.5p to 972.5p).

Equity share options and warrants

At 31 December 2013, options had been granted and remained outstanding in respect of 241,204 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:

	2013 Number	2013 Weighted average exercise price p/share	2012 Number	2012 Weighted average exercise price p/share
2005 Approved Plan				
Outstanding at 1 January	140,450	229.9	211,350	154.2
Granted in year	22,875	1,642.6	10,000	821.5
Exercised or lapsed in year	(49,771)	119.3	(80,900)	105.3
Outstanding at 31 December	113,554	563.0	140,450	229.9
Of which exercisable at 31 December	55,179	110.5	92,950	104.8
2005 Unapproved Plan				
Outstanding at 1 January	127,650	186.1	136,650	180.9
Exercised or lapsed in year	-	-	(9,000)	107.2
Outstanding at 31 December	127,650	186.1	127,650	186.1
Of which exercisable at 31 December	99,150	104.5	99,150	104.5
Total				
Outstanding at 1 January	268,100	209.1	348,000	164.7
Granted in year	22,875	1,642.6	10,000	821.5
Exercised or lapsed in year	(49,771)	119.3	(89,900)	105.4
Outstanding at 31 December	241,204	636.5	268,100	209.1
Of which exercisable at 31 December	154,329	106.6	192,100	104.6

Exercise prices at 31 December 2013 ranged from 92p/share to 1690/share (2012: 92p/share to 865.0p/share), with a weighted average remaining contractual life of 5.32 years (2012: 5.74 years).

Options were exercised during 2013 by one director (2012: two) as follows:

Grant of options	Market price on date of exercise per share	Number of shares Mr D Barnbrook
22 March 2006 at 103.5p	1467.5p	5,000
23 March 2007 at 106.5p	1467.5p	10,000
24 Septmeber 2007 at 94p	1467.5p	5,000
28 April 2008 at 124p	1467.5p	3,450
		23,450

Options remain exercisable by three directors as follows:

Grant of options	Number of shares Mr D E Cicurel	Mr D Barnbrook	Mr R L Cohen
20 October 2005 at 101.5p	-	5,000	37,000
28 April 2008 at 124p	-	6,550	-
23 July 2009 at 92p	-	10,000	1,100
9 May 2011 at 470p	-	5,000	5,000
25 October 2013 at 1690p	1,775	1,775	1,775
	1,775	28,325	44,875

The market price of the company's Ordinary shares on 31 December 2013 was 2042.5p, the highest price during 2013 was 2042.5p on 31 December, the lowest price during 2013 was 967.5p on 11 January and the price on 14 March 2014 was 2362.5p.

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 2013 and 31 December 2012. As such, no adjustment has been made to either the consolidated or parent company financial statements.

Throughout 2013, the group continued to award a free "matching share" under the Judges Scientific Share Incentive Plan for every share purchased up to a maximum value of £600 per employee per tax year. In 2013, an average of 55 employees participated in the scheme each month (2012: 51 employees), purchasing 8,560 shares in total, including matching shares (2012: 9,225 shares). Included in these figures, shares acquired by directors, including matching shares, were 153 acquired by Mr D E Cicurel (2012: 166), 133 by Mr D Barnbrook (2012: 330) and 152 by Mr R L Cohen (2012: 217).

Convertible Redeemable shares

The conversion rights set out in note 25 would have resulted in the issue of 29,459 Ordinary shares if conversion of all the outstanding Convertible Redeemable shares had taken place on 31 December 2013.

25. Convertible Redeemable shares classed as financial liabilities

	2013 £000	2012 £000
Allotted – shares of 1p each		
1 January 2013: 208,333 shares (2012: 4,272,974) - all $\frac{1}{4}$p paid	1	11
Paid up to 1p per share - nil shares (2012: 4,064,641)	-	31
Conversion into Ordinary shares: nil shares (2012: 3,342,221) - see note 24	-	(34)
Redemption - nil shares (2012: 722,420)	-	(7)
31 December 2013: 208,333 shares (2012: 208,333) - all $\frac{1}{4}$p paid	1	1

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 and redemption feature within the Convertible Redeemable shares is deemed to represent a 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 continuing increase in the market price of the company's Ordinary shares has correspondingly increased the fair value of the Convertible Redeemable shares. This has resulted in a £340,000 charge (before and after tax) in the year ended 31 December 2013 (2012: £1,573,000 charge before tax, £1,895,000 including tax). Reductions in the provision arising on redemptions and conversions into Ordinary shares are transferred directly to equity, with cash payments arising on redemptions being charged against the provision. The fair value liability at 31 December 2013 is £574,000 (2012: £234,000).

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.

25. Convertible Redeemable shares classed as financial liabilities - continued

- The remaining Convertible Redeemable shares are convertible no later than 31 December 2014 (subject to extension if the company is in a "close period" on that date) into such number of Ordinary shares as would represent 0.5% of the company's Ordinary share capital as enlarged; 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 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.

26. Emoluments of directors and key management personnel

	2013 no.	2012 no.
Executive directors	3	3
Non-executive directors	3	3
	6	6
	£000	£000
Total directors' emoluments:		
Emoluments	592	530
Defined contribution pension scheme contributions	6	7
	598	537
Emoluments of the highest paid director:		
Emoluments	184	166

During the year two directors participated in a defined contribution pension scheme (2011: two)

Compensation of key management personnel

	2013	2012
Emoluments, benefits, pension contributions and social security costs	1,355	1,157
Short term employee benefits:		
Salaries including bonuses and social security costs	1,251	1,062
Company car allowance and other benefits	57	49
Total short term employee benefits	1,308	1,111
Post-employment benefits:		
Defined contribution pension plans	47	46
Total post-employment benefits:	47	46
Total remuneration	1,355	1,157

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

	2013 no.	2012 no.
Number of employees – average in the year		
By function - manufacturing	114	89
- sales and administration	108	87
	222	176
By business segment		
Materials Sciences group	91	87
Vacuum group	123	81
head office (including 3 non-executive directors in both years)	8	8
	222	176

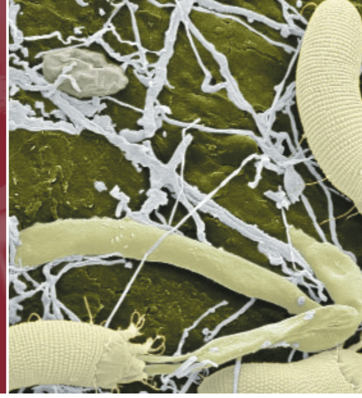
Employment costs	2013 £000	2012 £000
Wages and salaries	8,209	6,261
Social security costs	866	671
Pension costs	194	172
	9,269	7,104

28. Financial instruments

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

Fair value of financial instruments

Financial instruments include the borrowings set out in note 22. The group enters into derivative financial instruments in order to manage its interest rate and foreign currency exposure. The principal derivatives used include interest rate swaps and foreign currency options. Material changes in the carrying values of these instruments are recognised in the income statement in the periods in which the changes arise. Such recognition is treated as an exceptional item in the income statement where the foreign currency hedge was entered into in order to protect profits in later accounting periods. In such cases, the charge or credit will be reversed out of exceptional items in the accounting period for which the hedge was intended and will be shown in results before exceptional items. 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 £2.7 million at 31 December 2013 (2012: £3.8 million).

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 interest rate swaps and foreign currency options are measured at fair value in accordance with the fair value hierarchy and are classed as level 2.

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.

The fair value of contingent consideration relating to the acquisition of Scientifica Limited is classed as level 3 and further described in note 31.

Summary of financial assets and financial liabilities by category

	2013 £000	2012 £000
Financial Assets		
Trade and other receivables	6,130	3,663
Cash and cash equivalents	10,054	5,418
Loans and receivables	16,184	9,081
Financial Liabilities		
Derivative financial instruments	574	234
Financial liabilities designated at fair value through profit or loss	574	234
Trade payables	3,617	3,286
Accruals	1,694	1,554
Other payables	336	563
Trade and other payables relating to acquisitions	1,554	246
Current portion of long-term borrowings	4,043	2,028
Long-term borrowings	11,547	5,390
Financial liabilities measured at amortised cost	22,791	13,067
Total financial liabilities	23,365	13,301
Net financial liabilities	7,181	4,220
Non financial assets and financial liabilities not within the scope of IAS 39		
Property, plant and equipment	4,695	2,702
Goodwill	8,678	5,809
Other intangible assets	12,913	7,095
Inventories	5,824	3,529
Prepayments and accrued income	417	325
Social security and other taxes	(428)	(256)
Current tax payable	(1,320)	(633)
Deferred tax liabilities	(2,704)	(1,562)
	28,075	17,009
Total equity	20,894	12,789

28. Financial instruments - continued

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 £6,000 (2012: £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 2013 the group had trade receivables denominated in foreign currency as follows: US$ - £1,606,000 (2012: £511,000) and Euros - £655,000 (2012: £472,000).

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 group also holds interest rate swaps and foreign currency options:

- The costs attributable to these liabilities and included as interest expense in the income statement amounted to £497,000 (2012: £319,000) (see note 10).
- A proportion of the bank loans are denominated in foreign currencies to provide a hedge against currency risk on group assets (see note 22). Foreign exchange losses attributable to bank loans and included as operating costs in the income statement amounted to £127,000 (2012: gain £78,000).

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

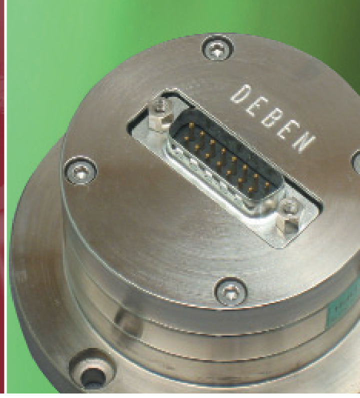
The group exports a substantial proportion of its sales, frequently denominated in foreign currencies (principally in US$ and Euros). Exposure to currency rate fluctuations exists from the moment a sales order is confirmed through to the time when the related remittance is converted into Sterling. This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

31 December 2013	Sterling equivalent of US$ £000	Sterling equivalent of € £000
Amount of foreign currency hedged at year-end	1,000	1,499
Residual exposure at year-end - long	2,418	700
Impact on pre-tax profits of a 5% variation in exchange rate on year-end residual exposure	121	35
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	93	27

31 December 2012	Sterling equivalent of US$ £000	Sterling equivalent of € £000
Sterling loans denominated in foreign currencies at year-end	984	1,460
Residual exposure at year-end - short	(108)	(85)
Impact on pre-tax profits of a 5% variation in exchange rate on year-end residual exposure	5	4
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	4	3

In addition to the hedging of existing measured foreign currency exposure, the group seeks to mitigate the impact of currency fluctuations on future trading performance. This was achieved at 31 December 2013 by entering into currency options to sell €3.4 million and $1.2 million during 2014, at pre-determined exchange rates. These options were over and above the hedges already in place to cover measured currency exposure at that date. The fair value of these financial instruments is an asset of £53,000, offset by a fair value liability of £29,000 on interest rate swaps. These transactions have been recognised in these accounts and are shown within other receivables.

Further option contracts were entered into in the early part of 2014 to cover $4.2 million and €2.75 million of prospective currency exposure in that year.



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. To hedge this risk the group is party to interest rate swaps at pre-determined rates. The fair value of these financial instruments has been recognised in these accounts. The group's sensitivity to interest rate changes is as follows:

	2013 £000	2012 £000
Unhedged bank loans outstanding at year-end	1,101	581
Impact on pre-tax profits of a 1% change in LIBOR	11	6
Impact on equity of a 1% change in LIBOR	8	5
Surplus funds at year-end	10,054	5,418
Impact on pre-tax profits of a 1% change in bank base rates	101	54
Impact on equity of a 1% change in bank base rates	78	41

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:

	2013 £000	2012 £000
Cash and cash equivalents	10,054	5,418
Trade and other receivables	6,130	3,663
	16,184	9,081

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. At 31 December 2013, no counterparty owed more than 10% of the group's total trade and other receivables (2012: one).

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 continues to hold 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. Following the acquisition of Scientifica Limited in June 2013, the group raised £7.7 million (net) through a placing of 500,000 new Ordinary shares to restore its financial capacity to complete further acquisitions in the future. 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 overdraft facilities amounting to £2.7 million at 31 December 2013 (31 December 2012: £3.8 million) none of which was outstanding at either date.

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

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

	2013 £000	2012 £000
Operating profit including exceptional items	1,730	633
Impact on pre-tax profits of a 10% rise in share price	(60)	(26)

30. Operating lease commitments

	2013 £000	2012 £000
Operating lease payments expensed during the year:		
Land and property	322	270
Vehicles	24	22
	346	292
Minimum operating lease commitments falling due:		
Within one year - Land and property	307	275
Within one year - Vehicles	23	22
	330	297
Between one and five years - Land and property	756	346
Between one and five years - Vehicles	41	53
	797	399
Total commitment	1,127	696

Land and property leases represent operating sites leased at East Grinstead, Wokingham, Hook, Hinxhill, Maidenhead and Uckfield. The earliest exits from these leases fall during May 2016, December 2016, August 2019, September 2016, August 2015 and September 2015 respectively.

31. Acquisition of Scientifica Limited

On 26 June 2013 the Company's wholly owned subsidiary, Judges Capital Limited, acquired the entire issued share capital of Scientifica Limited ("Scientifica"), a company based in the UK.
The total cost of acquisition included the components stated below.

Consideration	£000
Initial cash payment to vendors	12,000
Contingent consideration - fair value at date of acquisition	1,047
	13,047
Gross cash inherited on acquisition	1,772
Cash retained in the business	(372)
Payment to vendors in respect of surplus working capital	1,400
Total consideration transferred	14,447
Acquisition-related transaction costs charged in the income statement	794

Additional contingent consideration will be payable on an incremental basis in the event that Scientifica generates higher operating profits in the twelve months period to 31 March 2014 than those calculated in the prior year in accordance with the sale and purchase agreement. The maximum value of additional contingent consideration will be achieved if operating profits of £2.167m are generated in this period and would bring the total consideration to £12.5 million in cash, 42,372 Ordinary shares in Judges Scientific plc and a payment of £1.4 million to reflect excess working capital at the time of the acquisition.

Both the cash and share contingent consideration have been recognised at fair value. The maximum contingent consideration has been assumed in the calculation of fair value as the best estimate of the amounts payable. The fair value of the share contingent consideration at acquisition is also based on the mid-market share price at 31 December 2013 of £20.42, less expected dividends to be paid in the remainder of the contingent period; this reflects an estimate of a contract to issue shares at the end of the contingent period. The movement in the share price from £12.95 on the acquisition date to 31 December 2013 has resulted in a £317,000 increase to the fair value of the contingent consideration and this movement has been recognised in the income statement as an exceptional item.

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	223	-	223
Intangible assets	-	10,316	10,316
Inventories	1,512	-	1,512
Trade and other receivables	1,738	-	1,738
Cash and cash equivalents	1,772	-	1,772
Total assets	5,245	10,316	15,561
Deferred tax liabilities	(48)	(2,372)	(2,420)
Trade payables	(1,212)	-	(1,212)
Current tax liability	(351)	-	(351)
Total liabilities	(1,611)	(2,372)	(3,983)
Net identifiable assets and liabilities	3,634	7,944	11,578
Goodwill arising on acquisition			2,869
Total cost of acquisition			14,447

The goodwill that arose on the combination can be attributed to the profitability of Scientifica.

The figures described below include interest charges incurred by the Company as a result of this acquisition.

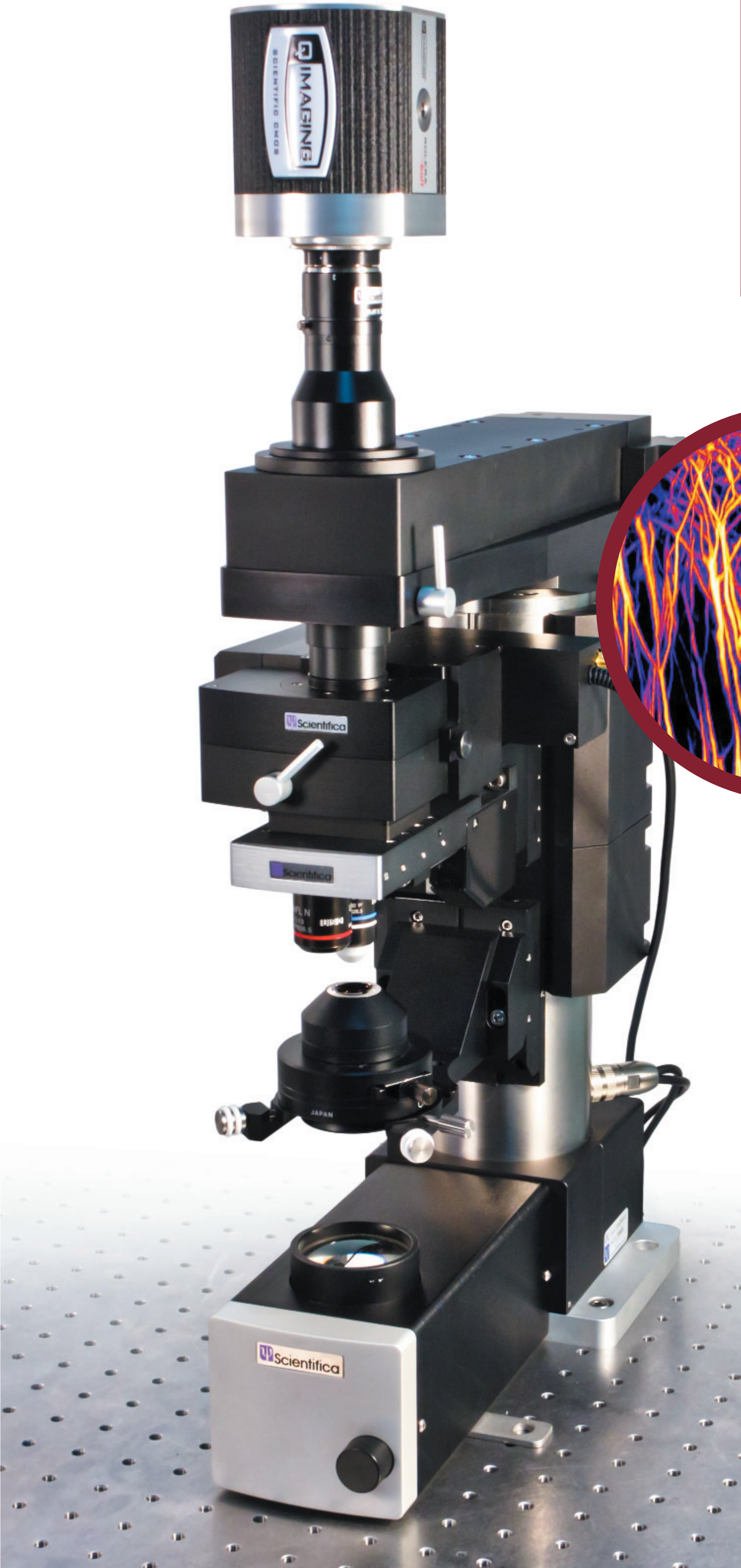
The acquisition of Scientifica resulted in a profit after tax (before exceptional items) attributable to equity holders of the parent company of £822,000 in the 26 weeks from 26 June 2013 to 31 December 2013. After amortisation of intangible assets, the contribution to the equity holders of the parent company's results amounted to a loss of £107,000 after tax.

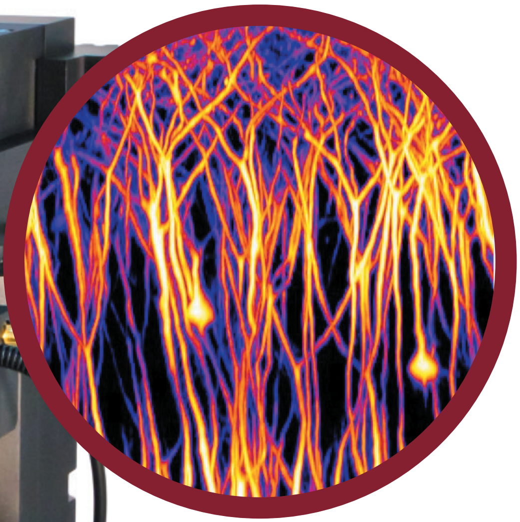
If Scientifica had been acquired on 1 January 2013, based on unaudited accounts for the financial year to 31 March 2013, revenue for the Group for the period to 31 December 2013 would have increased by £4,600,000 and profit after tax attributable to equity holders of the parent company would have increased by £665,000 after allowing for interest costs but before charging amortisation of intangible assets (a reduction of £234,000 after charging additional amortisation of intangible assets of £899,000).

The image was taken with Scientifica's Award Winning Multiphoton System which allows scientists to view neuronal structures deep within the brain. Researchers can now look at both superficial and deep-lying cells that interact with each other to form a network of cellular activity that contributes to the overall functioning of the brain.

By using the Scientifica Multiphoton System scientists throughout the world are empowered with the tools for gaining a better understanding of the brain, and in particular degenerative diseases.

The image is of pyramidal neurons in the brain genetically labelled with Green Fluorescent Protein, kindly provided by Dr Kitamura, University of Tokyo for demonstration.





INDEPENDENT AUDITOR'S REPORT

We have audited the parent company financial statements of Judges Scientific plc for the year ended 31 December 2013 which comprise the parent company balance sheet and notes 1 to 11. 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 Financial Reporting Council'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 2013;
- 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 2013.

Philip Sayers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
27 March 2014

PARENT COMPANY BALANCE SHEET

	Note	2013 £000	2012 £000
Fixed assets			
Tangible assets	3	3,318	1,540
Investments in subsidiaries	4	16,535	16,535
		19,853	18,075
Current assets			
Debtors	5	8,694	2,294
Cash in hand and at bank		4,475	1,838
		13,169	4,132
Creditors: amounts falling due within one year	6	(2,828)	(1,605)
Net current assets		10,341	2,527
Total assets less current liabilities		30,194	20,602
Creditors: amounts falling due after more than one year	7	(3,835)	(3,973)
Total net assets		26,359	16,629
Capital and reserves			
Called up share capital	8	293	265
Share premium	9	14,186	6,467
Capital redemption reserve	9	22	22
Profit and loss account	9	11,858	9,875
Shareholders' funds	9	26,359	16,629

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 27 March 2014.

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 2013, 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 2013	1,577
Additions	1,802
31 December 2013	3,379
Depreciation	
1 January 2013	37
Charge	24
31 December 2013	61
Net book value - 31 December 2013	3,318
Net book value - 31 December 2012	1,540

4. Investments in subsidiaries

	2013 £000	2012 £000
Cost		
1 January	16,535	8,361
Addition	-	8,174
31 December	16,535	16,535

The group's trading subsidiaries at 31 December 2013, 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 50p	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%
Global Digital Systems Limited	Design and manufacture of instruments used to test the physical properties of soil and rocks	"A" and "B" Ordinary £1	100%
Scientifica Limited	Design and manufacture of instruments used in electrophysiology to enable or improve the observation of objects under a microscope	Ordinary £1	100 %

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, Deben UK Limited, which is wholly-owned by a 51%-owned intermediate holding company, Bordeaux Acquisition Limited and Scientifica Limited, which is owned directly by a wholly-owned intermediate holding company, Judges Capital Limited.

5. Debtors

	2013 £000	2012 £000
Amounts owed by group companies	8,604	2,174
Corporation tax	-	5
Prepayments and accrued income	90	115
	8,694	2,294

Included in amounts owed by group companies are:

- the sum of £6,150,000 (2012: £294,000) which is repayable on demand at any time after 30 June 2015 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 2013 (2012: £1,316,000). 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

	2013 £000	2012 £000
Trade and other payables	47	30
Amounts owed to group companies	1,162	151
Corporation tax	69	-
Accruals and deferred income	165	210
Social security and other taxes	121	47
Current portion of bank loans	1,263	1,166
Other creditors	1	1
	2,828	1,605

Other creditors comprise £521 (2012: £521) 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

	2013 £000	2012 £000
Bank loans	3,835	3,973

Borrowings comprise a bank loan and a mortgage secured on assets of the group.

- The loan is repayable in quarterly instalments over the period ending 31 March 2017 and bears interest at 3.35% above LIBOR-related rates.
- The mortgage is repayable in quarterly instalments over the period ending 31 December 2016 with a final payment in March 2017 and bears interest at 3.35% above LIBOR-related rates

The repayment profile of borrowings is as follows:

	Bank loan £000
Repayable in less than 1 year	1,459
Repayable in years 1 to 5	4,121
	5,580
Less: interest included above	482
	5,098

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 2013 of loans denominated in Euros was £499,000 (2012: £1,460,000). These amounts are included in the figures above for bank loans, repayable in years 1 to 5.

The company enters into derivative financial instruments in order to manage its interest rate and foreign currency exposure. The principal derivatives used include interest rate swaps and foreign currency options.

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 £2.7 million, none of which was outstanding at 31 December 2013. In addition the company guarantees bank loans advanced to its 51% owned subsidiary Bordeaux Acquisition and to its wholly owned subsidiary Judges Capital amounting in aggregate at 31 December 2013 to £9,379,000 (2012: £1,783,000).

8. Share capital

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

9. Statement of movements in shareholders' funds

	Share capital £000	Share premium account £000	Capital Redemption Reserve £000	Profit and loss account £000	Total share-holders funds £000
1 January 2013	265	6,467	22	9,875	16,629
Profit for the year	-	-	-	2,868	2,868
Shares issued in the year	28	7,719	-	-	7,747
Dividends paid in the year	-	-	-	(885)	(885)
31 December 2013	293	14,186	22	11,858	26,359

The profit for the financial year in the accounts of the parent company amounted to £2,868,000 (2012: £5,413,000).

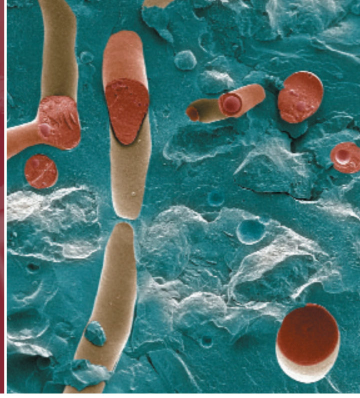
Details relating to the dividends paid in the year are set out in note 12 to the consolidated financial statements.

10. 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 in 2011 to its 51%-owned subsidiary, Bordeaux Acquisition Limited, to facilitate the purchase during that year of the entire issued share capital of Deben UK Limited. The amount of £517,000 was outstanding at 31 December 2013 (2012: £517,000). There are no interest or repayment terms to these advances.

Dividends paid in the year to directors who hold shares amounted to £196,000 in aggregate (2012: £108,000).



11. Directors and employees

	2013	2012
	£000	£000
Total directors' emoluments		
Emoluments	592	530
Defined contribution pension scheme contributions	6	7
	598	537
Emoluments of the highest paid director		
Emoluments	184	166

During the year, one director participated in a defined contribution pension scheme (2012: two)

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eleventh Annual General Meeting of Judges Scientific plc (the "Company") will be held at The Lansdowne Club, 9 Fitzmaurice Place, London W1X 6JD on Wednesday 28 May 2014 at 12 noon for the purpose of dealing with the following business of which items 6, 7 and 8 are special business.

ORDINARY BUSINESS

1. To receive and adopt the audited financial statements of the Company for the year ended 31 December 2013, together with the directors' report, the strategic report and the report of the auditor.

2. To re-appoint Glynn Reece, who retires by rotation, as a director.

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

4. To approve a final dividend of 13.4 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 2014.

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 and 8 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 £97,700 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:

(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 impediments 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 £97,700.

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 impediments 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.

8. 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 878,754 (representing approximately 14.99 per cent. of the Company's issued share capital at 31 December 2013);

(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 2015 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
2 May 2014	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 noon on 26 May 2014 (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.

Judges House, Laughton, East Sussex

Construction of this purpose-built factory was completed in July 2013. It now houses the operations of UHV Design, previously in three separate units on the same industrial estate, and Quorum Technologies, previously on two sites (nearby Ringmer and Ashford in Kent).

The facility provides a greatly enhanced operating environment for both companies, for example boasting an ISO9001 clean room.

Form of Proxy

for the Annual General Meeting of **Judges Scientific plc** on 28 May 2014 at 12.00 noon 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 12.00 noon on 28 May 2014, 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 Glynn Reece			
3	Re-appointment of David Cicurel			
4	Approval of final dividend			
5	Re-appointment of auditor			
6	Authority to allot shares			
7	Authority to disapply pre-emption rights			
8	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

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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 Asset Services
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
Hogan Lovells
Atlantic House
Holborn Viaduct
London EC1A 2FG

Registered in England and Wales, Company No. 4597315

Judges Scientific plc

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