Judges Scientific plc

ANNUAL REPORT & ACCOUNTS | 2014

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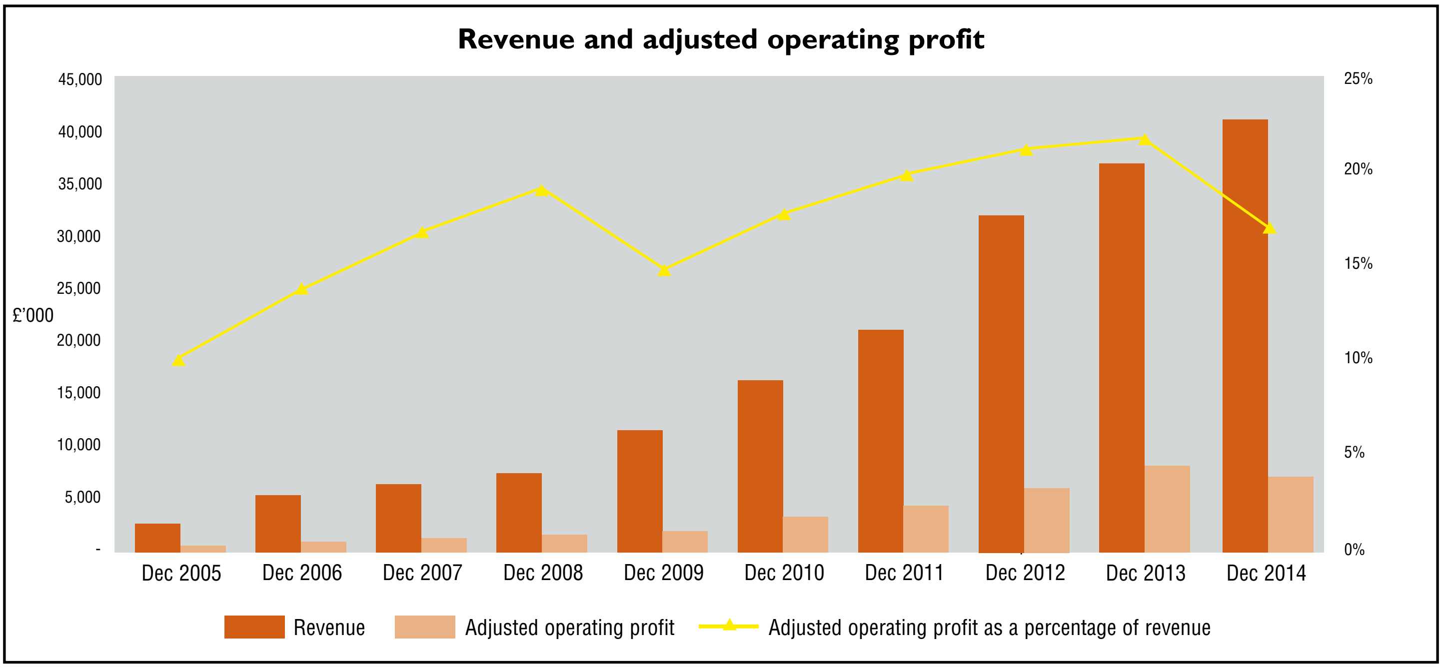
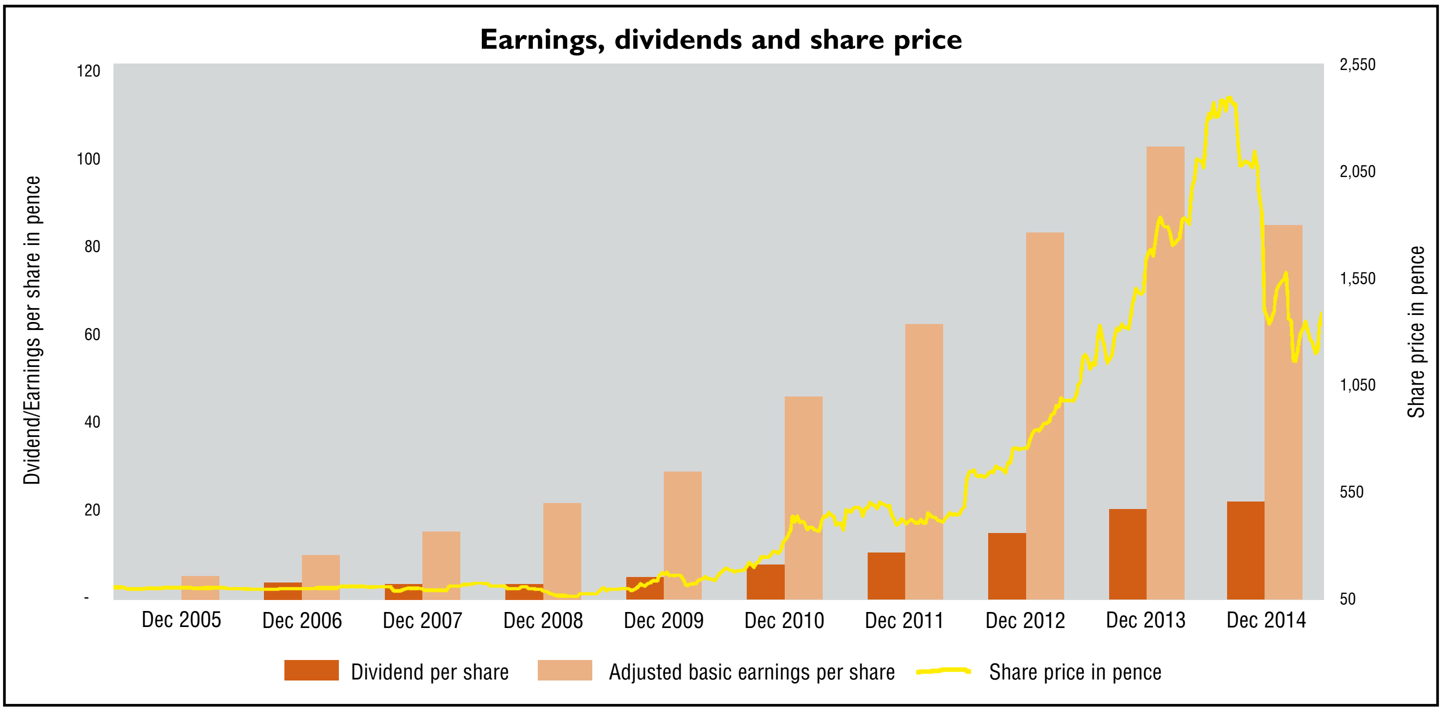
The Armfield BE4 Anaerobic Tank Reactor

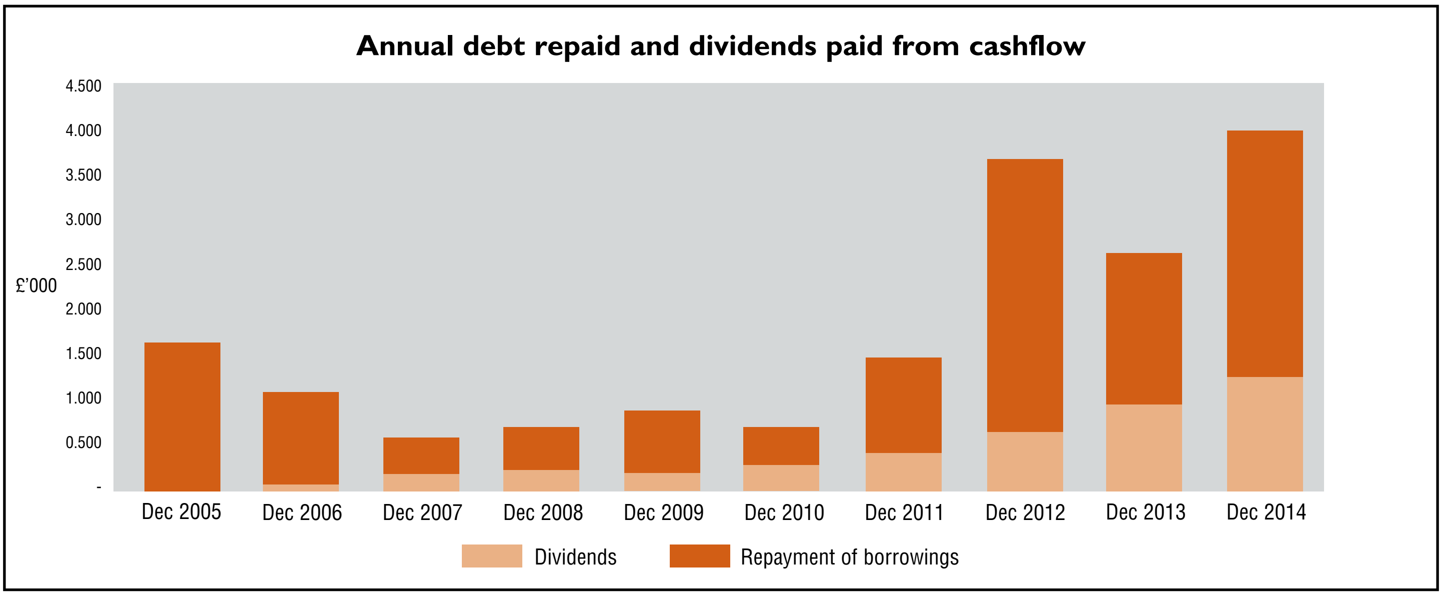
The Armfield BE4 Anaerobic Tank Reactor is a self-contained, small scale reactor offering a diverse range of reaction options, all presented in such a way that the process is transparent and easily followed. Anaerobic digestion is a process by which micro organisms break down organic matter into simpler chemical components without oxygen. This process can be very useful to treat organic waste.

Legislation on climate change and renewable obligations has greatly increased the interest and research in this area.

10 YEAR FINANCIAL HISTORY







CHAIRMAN'S STATEMENT

Judges Chairman, Alex Hambro

The last year was undoubtedly challenging for Judges. The scientific instrumentation sector had generally experienced patchy demand in the past two to three years and this finally affected most of the group in the course of 2014. For the ninth consecutive year, sales reached a record £40.6 million (2013: £36.0 million) but adjusted pre-tax profits and adjusted earnings per share declined. Despite this, cash generation was strong and the group's ability to increase the dividend and pursue acquisitions remains very much intact.

Trading in 2014

Group revenues for the financial year ended 31 December 2014 advanced from £36.0 million to £40.6 million. This reflects an organic contraction of 3.0% offset by a full year's contribution from Scientifica Limited ("Scientifica") compared to six months in 2013. For the year as a whole and excluding Scientifica, revenues decreased 5.3% in continental Europe, encompassing a particularly weak performance in Germany (down 41.1%) partially offset by a 29.4% increase in France. Turnover declined 8.8% in the USA but registered a 55.9% increase in Canada. Elsewhere, revenues were 21.5% lower in China, stable in the UK and buoyant in Australasia and the rest of the world. In part we believe this picture reflects a general reduction in levels of government funded scientific capital expenditure as a consequence of austerity programmes in many advanced economies. It is difficult to predict when the climate will improve substantially but we believe the need to advance scientific research capabilities remains an imperative for both developed and emerging economies.

Profit before tax, exceptional items and non-controlling interests declined by 11.8% to £6.5 million (2013: £7.3 million), with the operating contribution of the businesses owned as at 1 January 2014 (i.e. excluding Scientifica) down 20.6%. The operating subsidiaries (including Scientifica) produced a Return on Total Invested Capital of 24.0% (2013: 30.2%).

Basic earnings per share before exceptional items declined by 17.7% from 100.5p to 82.7p. The contraction in earnings per share reflected lower profits and the dilution created by the full-year effects of the October 2013 share placing. Fully diluted earnings per share before exceptional items decreased 16.5% to 80.5p (2013: 96.4p).

Exceptional items include the amortisation of intangible assets, tax relief arising from the issue of shares to employees and other non-trading items, as set out in the income statement. Profit, including exceptional items but before tax and non-controlling interests, amounted to £2.4 million (2013: £1.2 million). Including exceptional items, basic earnings per share amounted to 35.7p (2013: 23.4p) while fully diluted earnings per share totalled 34.7p (2013: 22.5p).

Mirroring widespread experience in the scientific instruments sector at various times in recent years, the group suffered weak order intake in most of its businesses during the first three quarters of the financial year. During the first half, the group managed to mitigate the impact on the income statement of this slowdown in orders but at the expense of a first-half reduction in the order book from 10.5 weeks to 7.8 weeks. This progressively affected the trading performance of the group's operations. Order intake recovered in the last quarter, thereby restoring the order book to 9.9 weeks of budgeted sales.

Your Board attributes the difficult trading environment to risk factors it has consistently highlighted in the past: the aforementioned restrictions in public spending in many advanced economies, a slowdown in China and, especially in the first half of the year, the strength of Sterling.

Financial position

Cash-flow was strong during 2014. Cash generated from operations amounted to £7.5 million (2013: £5.0 million) and adjusted net debt as at 31 December 2014, excluding subordinated debt owed to non-controlling shareholders, reduced to just £1.3 million (2013: £5.2 million). Year-end cash balances progressed from £10.1 million to £11.1 million.

In December 2014, the group's various bank loans (excluding those extended to Bordeaux Acquisition) were consolidated into one five-year term loan. In addition, the bank granted the company a £10 million revolving acquisition facility; this will facilitate the acquisition process and avoid the need for the company to hold large amounts of unproductive cash. I would like to place on record the Board's appreciation of the continued backing that the Group receives from its bankers, Lloyds Bank Corporate Markets, in support of its expansion strategy.

Dividends

Your Board is pleased to recommend a final dividend of 14.7p per share (2013: 13.4p per share) which, subject to approval at the forthcoming Annual General Meeting on 27 May 2015, will make a total distribution of 22p per share in respect of 2014 (2013: 20p per share). Despite the proposed increase, the dividend total is still covered almost four times by adjusted earnings per share.

The proposed final dividend will be payable on 10 July 2015 to shareholders on the register on 12 June 2015 and the shares will go ex-dividend on 11 June 2015.

Post Balance sheet events

On 22 January 2015, the company acquired Armfield Limited ("Armfield"), a company involved in the production and marketing of engineering equipment and research instruments for educational applications and R&D systems focused on the food, beverage, dairy, vegetable oils and pharmaceutical industries. The purchase consideration included an £8.3 million cash payment and a potential £1.5 million earn-out - 50% in cash and 50% in shares at a price of 2055p per share - based on Armfield's 2014 profitability. It is expected that this earn-out will be paid in full. Armfield's adjusted EBIT for the calendar year 2013 amounted to £1.66 million. The acquisition was financed from the company's cash resources and £4.0 million drawn from the new acquisition facility.

After ten years of service, Ralph Cohen, the group's finance director, will retire from his executive position at the end of April. This is a cause of sadness for his colleagues and, I am sure, for the company's shareholders and other stakeholders. His contribution to Judges Scientific has been immense during this critical period which has seen the group's market capitalisation develop from £4 million to £100 million. I am pleased that we will continue to enjoy his insight and delightful personality, hopefully for many years, as a non-executive director. He will be succeeded as group finance director by Brad Ormsby who joined the Board on 3 March 2015 after a successful career encompassing PwC, Eurovestech plc and several of its investee companies including Kalibrate Technologies plc where, as CFO, he was actively involved in the company's successful IPO.

Our team

Our employees have continued to uphold your company's culture of autonomous hard work and engineering excellence during a difficult year. The marketing and sales teams have had to work particularly hard to win business but we believe that these efforts will reward the group handsomely when the trading environment returns to a more predictable footing.

Your Board's thanks go to all our employees and stakeholders for their important contributions during the year.

Current trading and prospects

After experiencing an excellent order inflow during the last quarter of 2014, bookings for the first eleven weeks of 2015 reverted to a similar level to those for the corresponding period in 2014. It is, of course, too early to draw conclusions for the year as a whole, other than to recognise that demand supported by public sector funding remains patchy. On the currency front, the recent strength of the US dollar may well result in a gradual improvement in orders and margins from outside Europe; although the group's activities in continental Europe could struggle, given the recent weakness of the Euro. The group started the year with a restored order book, an exciting new acquisition and a solid financial position, and is therefore well equipped to weather any further headwinds should they materialise.

Alex Hambro
Chairman
26 March 2015

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" programme of acquisitions. 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

After eight years of unbroken growth in revenues and profits, 2014 proved a more challenging year. Headline revenues continued to advance, reflecting the first full year of ownership of Scientifica Limited (2013: six months). However, the underlying sales trend was one of modest decline, with revenues on a like-for-like basis falling by 3%. This reflected the economic difficulties that have affected large segments of the global economy as governments in many parts of the developed world continue to struggle to bring public sector debt and spending under control. Inevitably, this weakness in activity resulted in a decline in profits for the year, with earnings per share (undiluted, before exceptional items) reducing by 18% from 100.5p to 82.7p.

Despite these trading headwinds during 2014, the group's fundamental business strategy remains intact, namely to acquire solid businesses in our chosen sector, utilising strong cash flows to pay down the resulting debt as quickly as possible. The securing of an enhanced Bank facility in December 2014, aimed principally at acquisition financing, and the acquisition of Armfield Limited ("Armfield") in January 2015 are testament to the enduring strength of this strategy.

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. Movements in exchange rates influence international competitiveness and trading margins. Sterling strengthened steadily through 2014 against the Euro but remained volatile against the US dollar, rising strongly in the first half of the year but falling back in the second. 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 against prospective trading risks into 2015.

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). Inevitably, when a material acquisition is made, the overall group ROTIC is diluted, given the profit multiples that such businesses command. The out-turn for 2014, at 24% as compared with 30% in 2013, reflected both the full-year effect of the acquisition of Scientifica in June 2013 and the difficult trading environment in 2014.

- **Acquisitions:** while there were no acquisitions in 2014 significant efforts were expended during the year in the furtherance of our strategy, culminating in the completion of the purchase on 22 January 2015 of the entire issued share capital of Armfield, a company which designs and markets engineering equipment and research instruments for educational applications, together with research and development systems focused on the food, beverage, dairy, vegetable oils and pharmaceutical industries. Further details of this transaction are set out in note 32. 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. It is a source of great disappointment to the directors that earnings per share fell in 2014 (for the first time since the company entered the scientific instruments business in 2005) to 82.7p in 2014 from 100.5p in 2013, both figures undiluted and excluding exceptional items. On the other hand, cash generation remained strong, with net debt reducing by some £3.9 million, despite the payment of an increased dividend and a £0.5 million cash earn-out in respect of the Scientifica acquisition. The directors consider that there is still clear scope to increase dividend payments, while still remaining within prudent parameters; the Board will recommend a total distribution in respect of 2014 amounting to 22.0p (including the 7.3p that has already been paid at the interim stage), a 10% increase on the payment in respect of 2013. This is covered 3.8 times by adjusted earnings, without taking account of the earnings enhancement that is expected to accrue from the Armfield acquisition.
- **Revenue trends**
  - **The Materials Sciences group:** revenues declined by 2% in comparison with 2013.
  - **The Vacuum group:** revenues rose by 23%, driven by the inclusion for the first time of a full year's trading from Scientifica, acquired in June 2013. However, excluding Scientifica, revenues declined by 4% in the year.

Profitability

The group's operating profit margin (excluding exceptional items) fell from 21.7% in 2013 to 17.3% in 2014. Margins were impacted by weaker sales against a largely fixed cost base and by adverse currency movements.

Cash generation and management

Cash generated from operations amounted to £7.47 million (2013: £5.01 million), slightly in excess of the year's earnings before interest, tax, depreciation and amortisation. The year saw a sharp reduction in capital expenditure following the completion in 2013 of the construction of the new "Stonecross" factory in East Sussex. The overall effect was to reduce adjusted net debt by £3.9 million during the year to a year-end balance of £1.8 million (or £1.3 million if subordinated loans from minority shareholders in group subsidiaries are excluded).

In December 2014, the directors agreed a new financing arrangement with its bankers, Lloyds Bank Corporate Markets. The new agreement saw the consolidation of all existing term loans (with the exception of those advanced to the 51%-owned subsidiary, Bordeaux Acquisition Limited) into a single new five year term loan; additionally, the group entered into a new £10.0 million revolving acquisition facility, which was put in place to simplify the acquisition funding process both for "permitted acquisitions", which fall within set criteria, and for larger transactions where the consent process was streamlined. These new arrangements, coupled with the strong cash generation profile of the underlying businesses, give the group substantial 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 key 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. Over the years it has benefited from 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. In consequence, 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 (7% at 31 December 2014, 2013: 27%), through utilising bank funding to support their acquisition strategy to the maximum degree prudently possible. The new financing arrangements described above (under the heading of cash generation and management) will enable the group to manage its capital resources and acquisition financing requirements in a more efficient and flexible manner.

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

David Cicurel
Director
Judges Scientific plc
Company registration number: 4597315
26 March 2015

The directors present their report and financial statements for the year ended 31 December 2014.

Results and dividends

The results for the financial year to 31 December 2014 are set out in the Consolidated Statement of Comprehensive Income. The company paid an interim dividend of 7.3p per Ordinary share on 7 November 2014. At the forthcoming Annual General Meeting, the directors will recommend payment of a final dividend for the year of 14.7p per Ordinary share to be paid on Friday 10 July 2015 to shareholders on the register on Friday 12 June 2015. The shares will go ex-dividend on Thursday 11 June 2015.

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 2014 but cash generation was strong, net debt has fallen to just 7% of equity attributable to equity holders of the parent company and overall the group went into 2015 with a much improved order book compared to the mid-point of the year. Although the global economic environment remains uncertain, the directors consider that the parent company and the group are well placed to manage their business risks successfully.

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 (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 adjusted net debt of just £1.3 million at 31 December 2014 (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 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/forward exchange contracts 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. Forward and option contracts are entered into in both US$ and Euros maturing in the subsequent year, 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 gave rise to a derivative financial instrument, which was affected by fluctuations in the company's Ordinary share price. As described in note 25, the Convertible Redeemable shares were fully converted or redeemed prior to 31 December 2014.

6. **Cash flow risk**
   The group manages its cash flow through a mixture of working capital, bank borrowings, equity and retained profits. With adjusted net debt at 31 December 2014 of just £1.3 million (excluding loans from non-controlling interests) and cash and cash equivalents of £11.1 million, 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

Mr B Ormsby was appointed a director on 3 March 2015

[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 2014		1 January 2014	
	Shares	Options	Shares	Options
Hon AR Hambro	92,500	-	92,500	-
Mr DE Cicurel	916,520	1,775	916,389	1,775
Mr D Barnbrook	22,491	28,325	22,381	28,325
Mr RL Cohen	58,039	7,875	50,907	44,875
Mr RJ Elman	62,398	-	32,429	-
Mr GC Reece	-	-	-	-

Dividends paid in the year to directors who hold shares amounted to £234,000 in aggregate (2013: £196,000).

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 2014	1 January 2014
	Shares	Shares
Mr RJ Elman	-	208,333

The conversion of the Convertible Redeemable shares and movements in the year are detailed in note 25. During 2014 Mr Elman's SIPP converted its remaining holding of Convertible Redeemable shares as disclosed in note 24. There were no conversions or redemptions in 2013.

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	2014 Total	2013 Total
	£000	£000	£000	£000	£000	£000
Non Executive Directors						
Hon AR Hambro	33	-	-	-	33	30
Mr RJ Elman	23	-	-	-	23	20
Mr GC Reece	38	-	-	-	38	37
Executive Directors						
Mr DE Cicurel	158	-	-	4	162	184
Mr D Barnbrook	127	-	6	15	148	166
Mr RL Cohen	137	-	-	5	142	161
Total	516	-	6	24	546	598

During 2014 one director exercised share options as disclosed under note 24 (2013: one director).

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; and
- 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order 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 7 days (2013: 16 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

Ralph Cohen
Director and Company Secretary
Judges Scientific plc
Company registration number: 4597315
26 March 2015

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements of Judges Scientific plc for the year ended 31 December 2014 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

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 2014 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 2014.

Philip Sayers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
26 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2014 Before exceptional items £000	2014 Exceptional items £000	2014 Total £000	2013 Before exceptional items £000	2013 Exceptional items £000	2013 Total £000
Revenue	7	40,568	-	40,568	36,041	-	36,041
Operating costs excluding exceptional items	8	(33,555)	-	(33,555)	(28,228)	-	(28,228)
Operating profit excluding exceptional items		7,013	-	7,013	7,813	-	7,813
Exceptional items							
Amortisation of intangible assets	16	-	(4,251)	(4,251)	-	(4,498)	(4,498)
Contingent consideration measured at fair value	31	-	(16)	(16)	-	(317)	(317)
Financial instruments measured at fair value							
Convertible Redeemable shares	25	-	185	185	-	(340)	(340)
Hedging contracts	8	-	4	4	-	24	24
Relocation costs	8	-	-	-	-	(158)	(158)
Acquisition costs	8	-	-	-	-	(794)	(794)
Operating profit/(loss)		7,013	(4,078)	2,935	7,813	(6,083)	1,730
Interest receivable	10	19	-	19	6	-	6
Interest payable	10	(577)	-	(577)	(497)	-	(497)
Profit/(loss) before tax		6,455	(4,078)	2,377	7,322	(6,083)	1,239
Taxation	11	(1,200)	1,175	(25)	(1,530)	1,632	102
Profit/(loss) and total comprehensive income for the year		5,255	(2,903)	2,352	5,792	(4,451)	1,341
Attributable to:							
Equity holders of the parent company		4,926	(2,803)	2,123	5,444	(4,178)	1,266
Non-controlling interest		329	(100)	229	348	(273)	75
Earnings per share - total and continuing							
Basic	13	82.7p		35.7p	100.5p		23.4p
Diluted	13	80.5p		34.7p	96.4p		22.5p

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	2014 £000	2013 £000
ASSETS			
Non-current assets			
Property, plant and equipment	14	4,511	4,695
Goodwill	15	8,678	8,678
Other intangible assets	16	8,662	12,913
		21,851	26,286
Current assets			
Inventories	17	6,296	5,824
Trade and other receivables	18	6,227	6,547
Cash and cash equivalents		11,148	10,054
		23,671	22,425
Total assets		45,522	48,711
LIABILITIES			
Current liabilities			
Trade and other payables	19	(6,397)	(6,075)
Derivative financial instruments: Convertible Redeemable shares		-	(574)
Payables relating to acquisitions		(118)	(1,554)
Current portion of long-term borrowings	20	(3,139)	(4,043)
Current tax payable		(992)	(1,320)
		(10,646)	(13,566)
Non-current liabilities			
Long-term borrowings	21	(9,666)	(11,547)
Deferred tax liabilities	23	(1,820)	(2,704)
		(11,486)	(14,251)
Total liabilities		(22,132)	(27,817)
Net assets		23,390	20,894
EQUITY			
Share capital	24	300	293
Share premium		14,294	14,186
Capital redemption reserve		23	22
Merger reserve		1,351	475
Retained earnings		6,910	5,635
Equity attributable to equity holders of the parent company		22,878	20,611
Non-controlling interest		512	283
Total equity		23,390	20,894

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

The financial statements were approved by the board on 26 March 2015

David Cicurel
Director

Ralph 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 2014		293	14,186	22	475	5,635	20,611	283	20,894
Dividends	12	-	-	-	-	(1,237)	(1,237)	-	(1,237)
Issue of share capital	24	7	108	-	876	-	991	-	991
Arising on conversion and redemption of Convertible Redeemable shares	25	-	-	1	-	389	390	-	390
Transactions with owners		7	108	1	876	(848)	144	-	144
Profit for the year		-	-	-	-	2,123	2,123	229	2,352
Total comprehensive income for the year		-	-	-	-	2,123	2,123	229	2,352
Balance at 31 December 2014		300	14,294	23	1,351	6,910	22,878	512	23,390
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

* - 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

	2014	2013
	£000	£000
Cash flows from operating activities		
Profit after tax	2,352	1,341
Adjustments for:		
Financial instruments measured at fair value		
Convertible Redeemable shares	(185)	340
Hedging contracts	(4)	(24)
Contingent consideration measured at fair value	16	317
Depreciation	376	292
Amortisation of intangible assets	4,251	4,498
(Gain)/loss on disposal of property, plant and equipment	(5)	18
Foreign exchange (gain)/loss on foreign currency loans	(34)	127
Interest receivable	(19)	(6)
Interest payable	577	497
Tax recovery/(expense) recognised in income statement	25	(102)
Increase in inventories	(472)	(783)
Decrease)/(increase) in trade and other receivables	320	(798)
Increase/(decrease) in trade and other payables	268	(709)
Cash generated from operations	7,466	5,008
Interest paid	(572)	(497)
Tax paid	(1,237)	(840)
Net cash from operating activities	5,657	3,671
Cash flows from investing activities		
Paid on acquisition of new subsidiary	(500)	(13,400)
Gross cash inherited on acquisition	-	1,772
Acquisition of subsidiaries, net of cash acquired	(500)	(11,628)
Paid on the acquisition of trade and certain assets	(37)	(91)
Purchase of property, plant and equipment	(187)	(2,080)
Interest received	19	6
Net cash used in investing activities	(705)	(13,793)
Cash flows from financing activities		
Proceeds from issue of share capital	113	7,747
Repayments of borrowings	(2,734)	(1,776)
Proceeds from bank loans	-	9,770
Dividends paid - equity share holders	(1,237)	(885)
Dividends paid - non-controlling interest in subsidiary	-	(98)
Net cash (used in)/from financing activities	(3,858)	14,758
Net increase in cash and cash equivalents	1,094	4,636
Cash and cash equivalents at beginning of year	10,054	5,418
Cash and cash equivalents at end of year	11,148	10,054

The accompanying notes form an integral part of these 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 2014.

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

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2014 including IFRS 10 'Consolidated Financial Statements'. Adoption of these standards has not had an impact on the group's financial statements.

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

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

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

IFRS 9 'Financial Instruments' (EU effective date 1 January 2018)
IFRS 15 'Revenues from contracts with customers'
(EU effective date 1 January 2017)

6. Accounting policies

6.1 Basis of consolidation

The consolidated financial statements include those of the parent call drawn up to 31 December 2014. 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 has taken the merger relief that is required by section 612 of the Companies Act 2006 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, UHV Design Limited and Scientifica 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 the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

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

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

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

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

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

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

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. Value in use is 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 (see note 24).

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, receivables and derivatives.

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.

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

Final 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. Interim dividends are recognised in the periods in which they are paid.

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 taken the merger relief that is required by section 612 of the Companies Act 2006.
- "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. As described in note 25, the Convertible Redeemable shares were fully converted or redeemed prior to 31 December 2014.

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 enable users of the financial statements to evaluate more effectively the ongoing performance of the group.

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 the asset will generate probable future economic benefit.

6.22 Provisions for warranty claims

Provisions for warranty claims are recognised when; the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are discounted where the time value of money is material.

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:

2014	Materials Sciences £000	Vacuum £000	Total £000
Consolidated group revenues from external customers	14,427	26,141	40,568
Contributions to group EBITA	3,175	4,235	7,410
Depreciation	76	243	319
Amortisation of intangible assets	1,641	2,610	4,251
Segment assets	6,548	12,021	18,569
Segment liabilities	4,892	19,318	24,210
Intangible assets - goodwill	5,156	3,522	8,678
Other intangible assets	2,515	6,147	8,662
Additions to non-current assets	14	177	191

2013	Materials Sciences £000	Vacuum £000	Total £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

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.

	2014		2013	
	Revenue £000	Non-current assets £000	Revenue £000	Non-current assets £000
United Kingdom (domicile)	7,160	21,851	6,680	26,286
Rest of Europe	12,799	-	11,434	-
United States/Canada	8,235	-	6,055	-
Rest of the world	12,374	-	11,872	-
Total	40,568	21,851	36,041	26,286

7.4 Segment analysis - continued

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

	2014	2013
	£000	£000
Contribution to group EBITA		
Total contribution to group EBITA	7,410	8,341
Expenses not allocated	(830)	(980)
Exceptional items		
Amortisation of intangible assets	(4,251)	(4,498)
Contingent consideration measured at fair value	(16)	(317)
Financial instruments measured at fair value		
Convertible Redeemable shares	185	(340)
Hedging contracts	4	24
Relocation costs	-	(158)
Acquisition costs	-	(794)
Elimination of non-controlling interest adjustment in contribution to group EBITA	433	452
Operating profit after exceptional items	2,935	1,730
Interest receivable	19	6
Interest payable	(577)	(497)
Profit before tax	2,377	1,239
Depreciation		
Total segment depreciation charge	319	268
Head office depreciation not allocated	57	24
Consolidated depreciation charge	376	292
Segment assets and liabilities		
Total segment assets	18,569	20,609
Parent company assets (excluding corporation tax)	25,327	16,510
Assets eliminated on consolidation	(15,714)	(9,999)
Other assets - goodwill	8,678	8,678
Other assets - intangible assets	8,662	12,913
Consolidated total assets	45,522	48,711
Total segment liabilities	24,210	26,234
Parent company liabilities	11,605	6,661
Derivative financial instruments	-	574
Liabilities eliminated on consolidation	(24,132)	(11,312)
Acquisition related loans	8,421	1,316
Other liabilities	302	1,711
Convertible Redeemable shares	-	1
Deferred tax	1,726	2,632
Consolidated total liabilities	22,132	27,817

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 £3,256,000 (2013: £3,318,000) 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

	2014 £000	2013 £000
Raw materials and consumables	17,548	14,232
Other external charges	4,806	4,435
Staff costs	10,825	9,269
Depreciation	376	292
Other operating costs, excluding exceptional items	33,555	28,228
Amortisation of intangible assets	4,251	4,498
Contingent consideration measured at fair value	16	317
(Credit)/charge relating to derivative financial instruments	(185)	340
Hedging contracts	(4)	(24)
Relocation costs	-	158
Acquisition costs	-	794
Total operating costs, including exceptional items	37,633	34,311

Research and development expensed in the year totalled £1,629,000 (2013: £1,366,000). This does not include amortisation of research and development intangibles arising on acquisition.

9. Operating profit

	2014 £000	2013 £000
Operating profit is stated after charging:		
Fees payable to the company's auditor:		
for the audit of the company's annual accounts	23	20
Fees payable to the company's auditor for other services:		
for the audit of the company's subsidiaries, pursuant to legislation	70	70
for tax services	31	29
for corporate finance transactions	-	66
for all other services	12	13
Depreciation	376	292
Crystallised loss on foreign exchange (prior to accounting for enhanced gross profits estimated in a similar amount arising from currency movements)	-	431
Amortisation of intangible assets	4,251	4,498
Operating lease rentals - land and property	363	322
Operating lease rentals - vehicles	32	24
Operating lease rentals - other	6	-

10. Interest receivable and payable

	2014 £000	2013 £000
Interest receivable - short-term bank deposits	19	6
Interest payable - bank loans	(577)	(497)
Net interest payable	(558)	(491)

11. Taxation charge/(credit)

	2014 £000	2013 £000
UK corporation tax at 21.5% (2013: 23.25%)		
Current year	1,101	1,339
Prior years	(192)	(163)
	909	1,176
Deferred tax - origination and reversal of temporary differences:		
Current year	(890)	(1,271)
Prior years	6	(7)
	(884)	(1,278)
Tax on profit for the year - current year	211	68
Tax on profit for the year - prior years	(186)	(170)
	25	(102)
Factors affecting the tax charge for the year:		
Profit before tax	2,377	1,239
Profit before tax multiplied by standard rate of UK corporation tax of 21.5% (2013: 23.25%)	511	288
Carry back against prior year losses	-	(40)
Exercise of share options	(255)	(154)
Provisions and expenditure not deductible for tax purposes	16	128
Derivative (credit)/charge	(59)	79
Contingent consideration	3	74
Other timing differences	(5)	(307)
Tax on profit for the year - current year	211	68
Tax on profit for the year - prior years	(186)	(170)
Total net taxation charge/(credit)	25	(102)

12. Dividends

	2014 p/share	2014 £000	2013 p/share	2013 £000
Final dividend for the previous year	13.4	799	10.0	532
Interim dividend for the current year	7.3	438	6.6	353
	20.7	1,237	16.6	885

The directors will propose a final dividend of 14.7p per share, amounting to £882,000, for payment on 10 July 2015. 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 £nil in the year (2013: £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.

Year to 31 December 2014	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	2,123		
Add-back exceptional items net of tax and non-controlling interest, as applicable:			
Charge relating to derivative financial instruments			
Hedging contracts	(3)		
Convertible Redeemable shares	(204)		
Contingent consideration measured at fair value	16		
Tax relief on exercise of share options	(255)		
Amortisation of intangible assets	3,244		
Utilisation of prior year tax losses	5		
Basic and diluted profit after tax, excluding exceptional terms	4,926		
Number of shares for calculation of basic earnings per share including exceptional items		5,952,952	
Effect of potential shares		151,350	
Number of shares for calculation of diluted earnings per share including exceptional items		6,104,302	
Dilutive effect of potential derivative financial instruments		17,002	
Number of shares for calculation of diluted earnings per share excluding exceptional items		6,121,304	
Basic earnings per share (including exceptional items)			35.7
Diluted earnings per share (including exceptional items)			34.7
Basic earnings per share (excluding exceptional items)			82.7
Diluted earnings per share (excluding exceptional items)			80.5

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 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

14. Property, plant and equipment

	Plant & machinery £000	Fixtures, fittings & equipment £000	Motor vehicles £000	Property & building improvements £000	Total £000
Cost / deemed cost					
1 January 2013	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
Additions	112	54	16	5	187
Disposals	-	(12)	(28)	-	(40)
31 December 2014	761	831	172	4,158	5,922
Depreciation					
1 January 2013	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
Charge	59	151	40	126	376
Disposals	-	(12)	(33)	-	(45)
31 December 2014	512	539	93	267	1,411
Net book value – 31 December 2014	249	292	79	3,891	4,511
Net book value – 31 December 2013	196	389	98	4,012	4,695

Included in the net book value of property and building improvements at 31 December 2014 is £2,710,000 (2013: £2,764,000) 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 2014 (2013: £36,000). The net book value of plant, machinery and vehicles included above held under finance leases and hire purchase contracts amounted to £48,000 at 31 December 2014 (2013: £70,000).

15. Goodwill

	2014 £000	2013 £000
Cost		
1 January	8,678	5,809
Addition in year	-	2,869
31 December	8,678	8,678

An analysis of goodwill by operating segment is given in note 7.

There have been no impairment charges in either 2014 or 2013. 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 11.3% (2013: 10.6%) 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 2014.

The directors have considered the sensitivity of the key assumptions, including the weighted average cost of capital and long term growth rates, 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 2013	497	1,519	2,930	1,355	2,892	3,424	12,617
Additions	-	430	1,508	921	4,456	3,001	10,316
At 31 December 2013 and 31 December 2014	497	1,949	4,438	2,276	7,348	6,425	22,933
Amortisation							
1 January 2013	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
Charge for the year	-	304	868	-	1,427	1,652	4,251
31 December 2014	497	1,387	2,239	2,276	3,147	4,725	14,271
Carrying amount 31 December 2014	-	562	2,199	-	4,201	1,700	8,662
Carrying amount 31 December 2013	-	866	3,067	-	5,628	3,352	12,913

An analysis of other intangible assets by operating segment is given in note 7.

17. Inventories

	2014 £000	2013 £000
Raw materials	4,331	4,326
Work in progress	895	848
Finished goods	1,070	650
	6,296	5,824

In 2014, a total of £17,548,000 of inventories was included in the income statement as an expense (2013: £14,232,000). This includes an amount of £95,000 (2013: £52,000) resulting from write-downs of inventories and an amount of £44,000 (2013: £64,000) which is the reversal of previous write-downs. The carrying amount of inventories held at fair value less costs to sell is £859,000 (2013: £463,000). All group inventories form part of the assets pledged as security in respect of bank loans.

18. Trade and other receivables

	2014 £000	2013 £000
Trade receivables	5,221	5,595
Prepayments and accrued income	542	417
Other receivables	464	535
	6,227	6,547

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:

	2014 £000	2013 £000
Not more than 3 months	1,525	2,189
More than 3 months but not more than 6 months	71	737
More than 6 months but not more than 1 year	48	131
Greater than one year	44	12
	1,688	3,069

19. Trade and other payables

	2014 £000	2013 £000
Trade payables	3,517	3,617
Accruals and deferred income	1,875	1,694
Social security and other taxes	496	428
Other payables	509	336
	6,397	6,075

All amounts are short-term and their carrying values are considered reasonable approximations of fair value. Other payables include £nil (2013: £521) of non equity shares classed as financial liabilities (see note 25).

20. Current portion of long-term borrowings

	2014 £000	2013 £000
Bank loans	2,625	3,523
Subordinated loans	497	497
Net obligations under hire purchase contracts	17	23
	3,139	4,043

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

	2014 £000	2013 £000
Bank loans	9,655	11,519
Net obligations under hire purchase contracts	11	28
	9,666	11,547

Borrowings comprise three bank loans 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, amounting to £11,228,000 and negotiated in December 2014, is repayable in quarterly instalments over the period ending 31 December 2019 and bears interest at 1.75 to 2.75% (depending upon gearing) above LIBOR-related rates.
- The second loan, amounting to £860,000 (2013: £1,180,000), 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, amounting to £192,000 (2013: £238,000), is repayable in quarterly instalments over the period ending 31 March 2019 and bears interest at 3.75% above LIBOR-related rates.

22. Maturity of borrowings and net debt

31 December 2014	Bank loans £000	Subordinated loans £000	Hire purchase £000	Total £000
Repayable in less than 6 months	1,456	497	8	1,961
Repayable in months 7 to 12	1,441	-	9	1,450
Current portion of long-term borrowings	2,897	497	17	3,411
Repayable in years 1 to 5	10,101	-	11	10,112
Total borrowings	12,998	497	28	13,523
Less: interest included above	718	-	-	718
cash and cash equivalents	11,148	-	-	11,148
Total net debt	1,132	497	28	1,657
Adjusted net debt (including accrued deferred consideration)				1,775

31 December 2013	Bank loans £000	Subordinated loans £000	Hire purchase £000	Total £000
Repayable in less than 6 months	2,069	497	15	2,581
Repayable in months 7 to 12	2,036	-	11	2,047
Current portion of long-term borrowings	4,105	497	26	4,628
Repayable in years 1 to 5	12,331	-	25	12,356
Later than 5 years	11	-	-	11
Total borrowings	16,447	497	51	16,995
Less: interest included above	1,405	-	-	1,405
cash and cash equivalents	10,054	-	-	10,054
Total net debt	4,988	497	51	5,536
Adjusted net debt (including accrued deferred consideration)				5,691

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 2014 of loans denominated in Euros was £466,000 (2013: £499,000). These amounts are included in the figures above for bank loans, repayable in years 1 to 5.

23. Deferred tax liabilities

	2014 £000	2013 £000
1 January	2,704	1,562
Acquisition in year - amount recognised	-	48
Acquisition in year - attributable to intangible assets	-	2,372
Credit to income statement in the year	(884)	(1,278)
31 December	1,820	2,704
Deferred tax balances relate to temporary differences as follows:		
Accelerated capital allowances	94	72
Provisions allowable for tax in subsequent period	6	5
Intangible assets	1,720	2,627
Total	1,820	2,704

Amounts provided in respect of deferred tax are computed at 20% (2013: 21%).

24. Share capital

	2014 £000	2013 £000
Allotted, called up and fully paid - Ordinary shares of 5p each		
1 January: 5,862,270 shares (2013: 5,312,499)	293	265
Placing of 500,000 new Ordinary shares at 1625p/share in 2013	-	25
Issue of 42,372 Ordinary shares as part of the deferred consideration due following the acquisition of Scientifica Limited	2	-
Exercise of share options: 61,600 shares (2013: 49,771)	3	3
Conversion of Convertible Redeemable shares: 29,969 Ordinary shares (2013: nil)	2	-
31 December: 5,996,211 shares (2013: 5,862,270)	300	293

Allotments of Ordinary shares in 2014 were made:

- by way of the issue of 42,372 Ordinary shares on 22 May, when the share price was 2080.0p, to satisfy the deferred consideration due following the acquisition of Scientifica Limited in June 2013;
- on the conversion of 208,333 Convertible Redeemable shares (1p paid/share) into 29,969 Ordinary shares (at a subscription price of 95.0p/Ordinary share) on 18 August when the Ordinary share price was 1392.5p; and
- to satisfy the exercise of 61,600 share options in aggregate on 13 occasions during the year when the share price was within the range of 1530.0p to 2375.0p (2013: the exercise of 49,771 share options when the share price was within the range 975.0p to 1830.0p).

Equity share options and warrants

At 31 December 2014, options had been granted and remained outstanding in respect of 180,254 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:

	2014 Number	2014 Weighted average exercise price p/share	2013 Number	2013 Weighted average exercise price p/share
2005 Approved Plan				
Outstanding at 1 January	113,554	563.0	140,450	229.9
Granted in year	5,200	1,794.7	22,875	1,642.6
Exercised or lapsed in year	(29,850)	442.4	(49,771)	119.3
Outstanding at 31 December	88,904	675.5	113,554	563.0
Of which exercisable at 31 December	56,079	240.5	55,179	110.5
2005 Unapproved Plan				
Outstanding at 1 January	127,650	186.1	127,650	186.1
Granted in year	700	2,180.0	-	-
Exercised or lapsed in year	(37,000)	101.5	-	-
Outstanding at 31 December	91,350	235.6	127,650	186.1
Of which exercisable at 31 December	90,650	220.6	99,150	104.5
Total				
Outstanding at 1 January	241,204	363.5	268,100	209.1
Granted in year	5,900	1,840.4	22,875	1,642.6
Exercised or lapsed in year	(66,850)	253.7	(49,771)	119.3
Outstanding at 31 December	180,254	452.6	241,204	363.5
Of which exercisable at 31 December	146,729	228.2	154,329	106.6

Exercise prices at 31 December 2014 ranged from 92.0p/share to 2317.5p/share (2013: 92.0p/share to 1690.0p/share), with a weighted average remaining contractual life of 4.98 years (2013: 5.32 years).

Options were exercised during 2014 by one director (2013: one) as follows:

Grant of options	Market price on date of exercise per share	Number of shares Mr R L Cohen
20 October 2005 at 101.5p	2000.0p	37,000

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	-
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	7,875

The market price of the company's Ordinary shares on 31 December 2014 was 1375.0p, the highest price during 2014 was 2375.0p on 11 April, the lowest price during 2014 was 1095.0p on 15 October and the price on 18 March 2015 was 1687.5p.

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 2014 and 31 December 2013. As such, no adjustment has been made to either the consolidated or parent company financial statements.

Throughout 2014, 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 2014, an average of 63 employees participated in the scheme each month (2013: 55 employees), purchasing 6,762 shares in total, including matching shares (2013: 8,560 shares). Included in these figures, shares acquired by directors, including matching shares, were 131 acquired by Mr D E Cicurel (2013: 153), 110 by Mr D Barnbrook (2013: 133) and 132 by Mr R L Cohen (2013: 152).

25. Convertible Redeemable shares classed as financial liabilities

	2014 £000	2013 £000
Allotted - shares of 1p each		
1 January 2014: 208,333 shares (2013: 208,333) - ¼p paid	1	1
Paid up to 1p per share - 208,333 shares (2013: nil)	1	-
Conversion into Ordinary shares: 208,333 shares (2013: nil) - see note 24	(2)	-
31 December 2014: nil shares (2013: 208,333) - ¼p paid	-	1

The last outstanding holding of Convertible Redeemable shares was converted into Ordinary shares in 2014. Under the terms of IAS 39 Financial Instruments, Recognition and Measurement, the conversion and redemption feature within the Convertible Redeemable shares was 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 increase in the market price of the company's Ordinary shares over time has correspondingly increased the fair value of the Convertible Redeemable shares. This has resulted in a £185,000 credit (before and after tax) in the year ended 31 December 2014 (2013: £340,000 charge before and after tax), arising from changes in the Ordinary share price between 1 January 2014 and the date of conversion. Reductions in the provision arising on redemptions and conversions into Ordinary shares are transferred directly to equity. The fair value liability at 31 December 2014 was £nil (2013: £574,000).

26. Emoluments of directors and key management personnel

	2014 no.	2013 no.
Executive directors	3	3
Non-executive directors	3	3
	6	6
	£000	£000
Total directors' emoluments:		
Emoluments	540	592
Defined contribution pension scheme contributions	6	6
	546	598
Emoluments of the highest paid director:		
Emoluments	162	184

During the year one director participated in a defined contribution pension scheme (2013: one).

Compensation of key management personnel		
Emoluments, benefits, pension contributions and social security costs	1,331	1,355
Short term employee benefits:		
Salaries including bonuses and social security costs	1,229	1,251
Company car allowance and other benefits	54	57
Total short term employee benefits	1,283	1,308
Post-employment benefits:		
Defined contribution pension plans	48	47
Total post-employment benefits:	48	47
Total remuneration	1,331	1,355

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

	2014 no.	2013 no.
Number of employees – average in the year		
By function - manufacturing	125	114
- sales and administration	145	108
	270	222
By operating segment		
Materials Sciences group	94	91
Vacuum group	168	123
Head office (including 3 non-executive directors in both years)	8	8
	270	222

Employment costs	2014 £000	2013 £000
Wages and salaries	9,591	8,209
Social security costs	1,000	866
Pension costs	234	194
	10,825	9,269

28. Financial instruments

The group's policies on treasury management, capital management objectives and financial instruments are given in the Strategic 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 revolving acquisition facility of £10 million at 31 December 2014.

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 hedges 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.

Summary of financial assets and financial liabilities by category

	2014 £000	2013 £000
Financial Assets		
Trade and other receivables	5,685	6,130
Cash and cash equivalents	11,148	10,054
Loans and receivables	16,833	16,184
Financial Liabilities		
Derivative financial instruments	-	574
Financial liabilities designated at fair value through profit or loss	-	574
Trade payables	3,517	3,617
Accruals and deferred income	1,875	1,694
Other payables	509	336
Trade and other payables relating to acquisitions	118	1,554
Current portion of long-term borrowings	3,139	4,043
Long-term borrowings	9,666	11,547
Financial liabilities measured at amortised cost	18,824	22,791
Total financial liabilities	18,824	23,365
Net financial liabilities	1,991	7,181
Non financial assets and financial liabilities not within the scope of IAS 39		
Property, plant and equipment	4,511	4,695
Goodwill	8,678	8,678
Other intangible assets	8,662	12,913
Inventories	6,296	5,824
Prepayments and accrued income	542	417
Social security and other taxes	(496)	(428)
Current tax payable	(992)	(1,320)
Deferred tax liabilities	(1,820)	(2,704)
	25,381	28,075
Total equity	23,390	20,894

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 £19,000 (2013: £6,000) (see note 10).
- 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 2014 the group had trade receivables denominated in foreign currency as follows: US$ - £1,239,000 (2013: £1,606,000) and Euros - £726,000 (2013: £655,000).

Financial liabilities

The group's principal financial liabilities are bank loans, trade and other payables and derivative financial instruments. The group also holds interest rate swaps and foreign currency forward contracts and options:

- The costs attributable to these liabilities and included as interest expense in the income statement amounted to £577,000 (2013: £497,000) (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 gains attributable to bank loans and included as operating income in the income statement amounted to £34,000 (2013: £127,000 charge).

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 economically hedged, predominantly through the use of currency forward contracts and options. The net exposure to risk is therefore substantially reduced. This does not however represent a hedge under IAS 39. 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 2014	Sterling equivalent of US$ £000	Sterling equivalent of € £000
Amount of foreign currency hedged at year-end	2,750	2,716
Residual exposure at year-end - short	108	911
Impact on pre-tax profits of a 5% variation in exchange rate on year-end residual exposure	5	46
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	4	36

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

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 2014 by entering into currency forward contracts and options to sell €4.1 million and $6.4 million during 2015, at pre-determined exchange rates. These 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 £101,000, offset by a fair value liability of £73,000 on interest rate swaps. These transactions have been recognised in these accounts and are held within other receivables.

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:

	2014 £000	2013 £000
Unhedged bank loans outstanding at year-end	2,270	1,101
Impact on pre-tax profits of a 1% change in LIBOR	23	11
Impact on equity of a 1% change in LIBOR	18	8
Surplus funds at year-end	11,148	10,054
Impact on pre-tax profits of a 1% change in bank base rates	111	101
Impact on equity of a 1% change in bank base rates	87	78

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:

	2014 £000	2013 £000
Cash and cash equivalents	11,148	10,054
Trade and other receivables	5,685	6,130
	16,833	16,184

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 2014, no counterparty owed more than 10% of the group's total trade and other receivables (2013: none).

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

Liquidity risk

Longer-term finance is required to enable the group to pursue it strategic goal of growing through acquisitions as well as through organic development. This financing need has been satisfied for the foreseeable future by a newly-secured £10 million revolving acquisition facility advanced by Lloyds Bank Capital Markets. The group's strategy envisages the servicing of this debt to be achieved from the cash flow arising from the businesses acquired. For short and medium term financial needs, the group regularly compares its projected requirements with available cash and borrowing facilities.

The 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.

30. Operating lease commitments

	2014 £000	2013 £000
Operating lease payments expensed during the year:		
Land and property	363	322
Vehicles	32	24
Other	6	-
	401	346
Minimum operating lease commitments falling due:		
Within one year - Land and property	328	307
Within one year - Vehicles	29	23
Within one year - Other	39	-
	396	330
Between one and five years - Land and property	354	756
Between one and five years - Vehicles	36	41
Between one and five years - Other	56	-
	446	797
Total commitment	842	1,127

31. Prior year acquisition of Scientifica Limited – contingent consideration

On 26 June 2013 the Company's wholly owned subsidiary, Judges Capital Limited, acquired the entire issued share capital of Scientifica Limited ("Scientifica"). During 2014, Scientifica reached the profit threshold that triggered the payment of the maximum deferred consideration due under the terms of the share purchase agreement. This deferred consideration was satisfied by the payment during 2014 of £500,000 in cash plus the issue of 42,372 Ordinary shares in Judges Scientific plc (see note 24).

Both the cash and share elements of the contingent consideration were recognised at fair value. The maximum contingent consideration was 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 was based on the mid-market share price on 31 December 2013 of £20.42, less expected dividends to be paid in the remainder of the contingent period; this reflected an estimate of a contract to issue shares at the end of the contingent period. The movement in the Ordinary share price from 1 January 2014 to the date of issue of the deferred consideration shares has resulted in a £16,000 increase to the fair value of the contingent consideration and this movement has been recognised in the income statement as an exceptional item. The fair value of £877,000 at the date of issue has been transferred to equity.

32. Post Balance Sheet Event – acquisition of Armfield Limited

On 22 January 2015, the company acquired the entire issued share capital of Armfield Limited ("Armfield"). Armfield designs and markets engineering equipment and research instruments for educational applications, together with research and development systems focused on the food, beverage, dairy, vegetable oils and pharmaceutical industries. The company is based in Ringwood, Hampshire and New Jersey, USA.

Armfield's audited accounts for the financial year to 31 December 2013 show revenues of £12.2 million and pre-tax profits of £1.3 million. The directors believe that, had the business been owned by the group during that year and excluding one-off items, Armfield would have generated operating profits in the order of £1.66 million (before interest, tax, amortisation of intangible assets and expensed transaction costs). The audited accounts also show net tangible assets of £3 million, including cash of £2.56 million.
The acquisition was completed for a cash consideration of £8.28 million, plus estimated transaction costs of £800,000 and an earn-out capped at £1.51 million. The maximum earn-out will be payable if Armfield has generated adjusted operating profits of £1.96 million or more in respect of the twelve month period to 31 December 2014, reducing by five times any shortfall below £1.96 million. Half of the earn-out will be paid in cash and half through the issue of new Ordinary shares in Judges Scientific plc at a price of 2055p per Ordinary share, based on the prevailing price of Judges' Ordinary shares on the day the headline terms of the acquisition were agreed.

An additional payment will be made to reflect any excess working capital over and above the ongoing requirements of the business; the company expects such payment to be covered by the cash inherited at the completion date. A further payment capped at £360,000 may become due if the triennial actuarial valuation of Armfield's defined benefit pension fund as at 31 March 2017 shows a reduction in the yearly contribution required to eliminate its funding deficit. The defined benefit scheme closed to new members with effect from 2001 and closed to new accrual in 2006.

The acquisition was financed from existing cash resources and an additional £4 million drawn down from the £10 million revolving acquisition facility recently agreed with Lloyds Bank Corporate Markets.

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

A scanning electron microscopy (SEM) image showing red palm mites preparing to mate. Prepared using a Quorum Technologies cryo preparation system in combination with a Hitachi S-4700 SEM.

The smaller male positions itself under the immature female and curls up its posterior end for mating.

Image courtesy of Dr. Gary Bauchan and Dr. Ronald Ochoa, USDA-ARS, Beltsville, MD USA.

INDEPENDENT AUDITOR'S REPORT

We have audited the parent company financial statements of Judges Scientific plc for the year ended 31 December 2014 which comprise the parent company balance sheet and notes 1 to 13. 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/auditscopeukprivate

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 2014;
- 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 2014.

Philip Sayers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
26 March 2015

PARENT COMPANY BALANCE SHEET

	Note	2014 £000	2013 £000
Fixed assets			
Tangible assets	3	3,256	3,318
Investments in subsidiaries	4	16,537	16,535
		19,793	19,853
Current assets			
Debtors	5	15,799	8,694
Cash in hand and at bank		6,245	4,475
		22,044	13,169
Creditors: amounts falling due within one year	6	(2,630)	(2,828)
Net current assets		19,414	10,341
Total assets less current liabilities		39,207	30,194
Creditors: amounts falling due after more than one year	7	(8,968)	(3,835)
Deferred tax liability	8	(56)	-
Total net assets		30,183	26,359
Capital and reserves			
Called up share capital	9, 10	300	293
Share premium	10	14,294	14,186
Capital redemption reserve	10	23	22
Profit and loss account	10	15,566	11,858
Shareholders' funds	10	30,183	26,359

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 26 March 2015.

David Cicurel
Director

Ralph Cohen
Director

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 2014, 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. As described in note 25 to the consolidated financial statements, the Convertible Redeemable shares were fully converted or redeemed prior to 31 December 2014.

3. Tangible assets

	Property £000
Cost	
1 January 2014	3,379
Reclassification	(5)
31 December 2014	3,374
Depreciation	
1 January 2014	61
Charge	57
31 December 2014	118
Net book value - 31 December 2014	3,256
Net book value - 31 December 2013	3,318

4. Investments in subsidiaries

	2014 £000	2013 £000
Cost		
1 January	16,535	16,535
Addition	2	-
31 December	16,537	16,535

The addition in the year relates to shares in the company issued as part of the deferred consideration due on the acquisition of Scientifica Limited by the company's subsidiary, Judges Capital Limited.

The group's trading subsidiaries at 31 December 2014, 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

	2014 £000	2013 £000
Amounts owed by group companies	15,552	8,604
Prepayments and accrued income	247	90
	15,799	8,694

Included in amounts owed by group companies are:

- the sum of £13,846,000 (2013: £6,150,000) which is repayable on demand at any time after 30 June 2016 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 2014 (2013: £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

	2014 £000	2013 £000
Trade and other payables	71	47
Amounts owed to group companies	-	1,162
Corporation tax	49	69
Accruals and deferred income	84	165
Social security and other taxes	155	121
Current portion of bank loans	2,260	1,263
Other creditors	11	1
	2,630	2,828

Other creditors include £nil (2013: £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

	2014 £000	2013 £000
Bank loans	8,968	3,835

Borrowings comprise a bank loan secured on assets of the group. The loan is repayable in quarterly instalments over the period ending 31 December 2019 and bears interest at 1.75% to 2.75% above LIBOR-related rates, depending upon gearing.

The repayment profile of borrowings is as follows:

	Bank loan £000
Repayable in less than 1 year	2,471
Repayable in years 1 to 5	9,399
	11,870
Less: interest included above	642
	11,228

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 2014 of loans denominated in Euros was £466,000 (2013: £499,000). 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 forward contracts and options.

The parent company guarantees bank loans advanced to its 51% owned subsidiary Bordeaux Acquisition Limited and to its wholly owned subsidiary Judges Capital Limited amounting in aggregate at 31 December 2014 to £1,052,000 (2013: £9,379,000). During 2014, a bank loan to Judges Capital Limited was replaced by a loan from the parent company.

8. Deferred tax liability

	2014 £000
1 January	-
Charge	56
31 December	56

Amounts provided in respect of deferred tax are computed at 20% and relate to accelerated capital allowances.

9. Share capital

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

10. Statement of movements in shareholders' funds

	Share capital £000	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' funds £000
1 January 2014	293	14,186	22	11,858	26,359
Profit for the year	-	-	-	4,945	4,945
Shares issued in the year	7	108	-	-	115
Arising on conversion of Convertible Redeemable shares	-	-	1	-	1
Dividends paid in the year	-	-	-	(1,237)	(1,237)
31 December 2014	300	14,294	23	15,566	30,183

The profit for the financial year in the accounts of the parent company amounted to £4,945,000 (2013: £2,868,000).

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

11. Related party transactions

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

Funds were advanced by the company 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 2014 (2013: £517,000). There are no interest or repayment terms to these advances.

Dividends paid in the year to directors who hold shares amounted to £234,000 in aggregate (2013: £196,000).

12. Directors and employees

	2014 £000	2013 £000
Staff costs (including directors)		
Wages and salaries	612	674
Social security costs	75	84
Other pension costs	10	9
	697	767
Total directors' emoluments		
Emoluments	540	592
Defined contribution pension scheme contributors	6	6
	546	598
Emoluments of the highest paid director		
Emoluments	162	184

During the year, one director participated in a defined contribution pension scheme (2013: one).

Average number of persons employed	no.	no.
Directors	6	6
Administrative staff	2	2
Total	8	8

13. Post Balance Sheet Event

On 22 January 2015, the company acquired the entire issued share capital of Armfield Limited ("Armfield"). Armfield designs and markets engineering equipment and research instruments for educational applications, together with research and development systems focused on the food, beverage, dairy, vegetable oils and pharmaceutical industries.

The acquisition was completed for a cash consideration of £8.28 million, plus estimated transaction costs of £800,000 and an earn-out capped at £1.51 million. An additional payment will be made to reflect any excess working capital over and above the ongoing requirements of the business; the company expects such payment to be covered by the cash inherited at the completion date. A further payment capped at £360,000 may become due if the triennial actuarial valuation of Armfield's defined benefit pension fund as at 31 March 2017 shows a reduction in the yearly contribution required to eliminate its funding deficit. The defined benefit scheme closed to new members with effect from 2001 and closed to new accrual in 2006. The acquisition was financed from existing cash resources and an additional £4 million drawn down from the £10 million revolving acquisition facility recently agreed with Lloyds Bank Corporate Markets.

Further details of the transaction are set out in note 32 to the consolidated financial statements.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twelfth Annual General Meeting of Judges Scientific plc (the "Company") will be held at The Lansdowne Club, 9 Fitzmaurice Place, London W1X 6JD on Wednesday 27 May 2015 at 12 noon for the purpose of dealing with the following business of which items 7, 8 and 9 are special business.

ORDINARY BUSINESS

1. To receive and adopt the audited financial statements of the Company for the year ended 31 December 2014, together with the strategic report, the directors' report, and the report of the auditor.

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

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

4. To re-appoint Bradley Ormsby, who was appointed by the board on 3 March 2015, as a director.

5. To approve a final dividend of 14.7 pence per Ordinary share.

6. 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 2015.

SPECIAL BUSINESS

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

ORDINARY RESOLUTION

7. 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 £99,936 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

8. That:

   (a) subject to and conditional upon the passing of resolution 7 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 7 above, as if section 561(1) 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 £99,936.

   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.

9. That the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares of 5 pence each in the capital of the Company on such terms and in such manner as the directors of the Company may from time to time determine, provided that:

(a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 898,832 (representing approximately 14.99 per cent. of the Company's issued share capital at 31 December 2014);
(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 2016 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

Chris Talbot	Registered Office:
Company Secretary	Unit 19, Charlwoods Road
	East Grinstead
4 May 2015	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 25 May 2015 (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.

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

Form of Proxy

for the Annual General Meeting of **Judges Scientific plc** on 27 May 2015 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 27 May 2015, and at any adjournment(s) of that meeting.

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

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

Please sign here: ____ Date: ____________________

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

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

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

Any alterations to this form must be initialled.

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

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

Fold here

Fold here

COMPANY INFORMATION

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

Company Secretary
Ralph Leslie Cohen
Chris Talbot (*from 1 May 2015*)

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 International LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG

Registered in England and Wales, Company No. 4597315

Judges Scientific plc

Judges Scientific plc
Unit 19, Charlwoods Road
East Grinstead
West Sussex RH19 2HL
Tel: 01342.323600
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