Judges Scientific plc

Judges Scientific plc
Annual Report and Accounts 2015

DELIVERING ON CONSISTENT PERFORMANCE

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

Judges Scientific operates a "buy and build" strategy, acquiring and investing in a portfolio of companies with established reputations in niche worldwide markets, supported by sustainable sales, profits and cash generation.

Strategic report

Financial statements

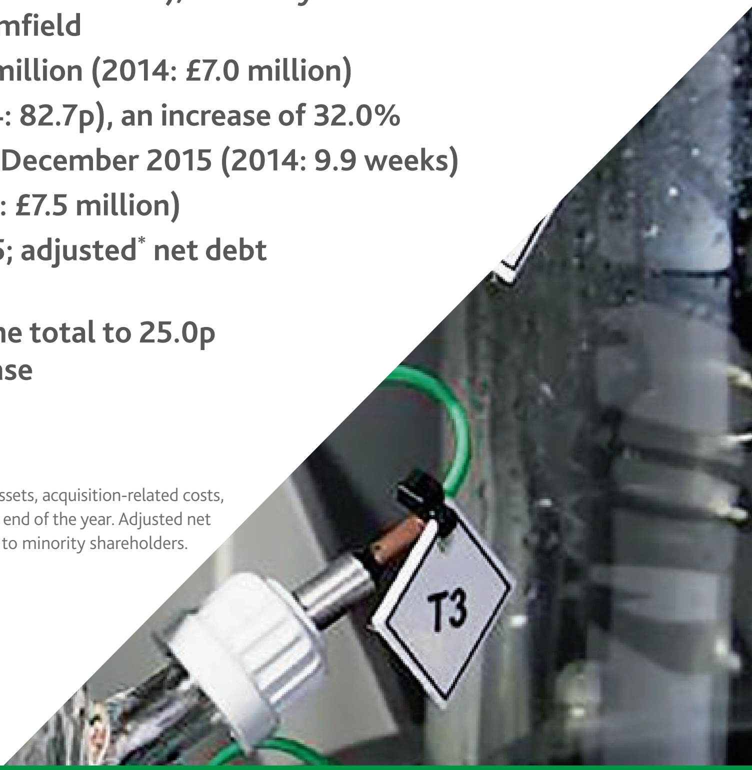
For more information visit:
www.judges.uk.com/

HIGHLIGHTS

- Revenues increased 38.5% to £56.2 million (2014: £40.6 million), driven by 4.9% organic sales growth and the acquisition of Armfield
- Adjusted* operating profit increased 31.9% to £9.3 million (2014: £7.0 million)
- Adjusted* basic earnings per share was 109.2p (2014: 82.7p), an increase of 32.0%
- Order book of 11.9 weeks (including Armfield) at 31 December 2015 (2014: 9.9 weeks)
- Strong cash generation, totalling £8.5 million (2014: £7.5 million)
- Cash in hand of £8.5 million as at 31 December 2015; adjusted* net debt of £4.0 million (2014: £1.3 million)
- Proposed final dividend of 1.0p per share, bringing the total to 25.0p per share (2014: 22.0p), representing a 13.6% increase
- Acquired Armfield, in line with acquisition policy
- CoolLED acquired post year-end

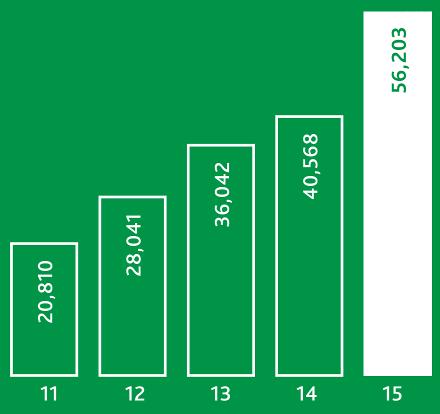
* Adjusted earnings figures are stated before adjusting items relating to amortisation of intangible assets, acquisition-related costs, share based payments, derivative financial instruments and hedging of risks materialising after the end of the year. Adjusted net debt includes acquisition-related liabilities and excludes subordinated debt owed by subsidiaries to minority shareholders.

Judges businesses at a glance
Pages 2 – 3



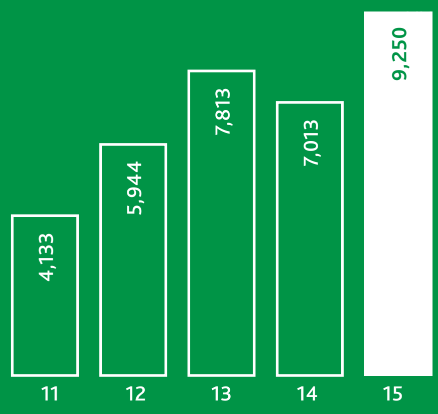
Revenue (£000)

+38.5%



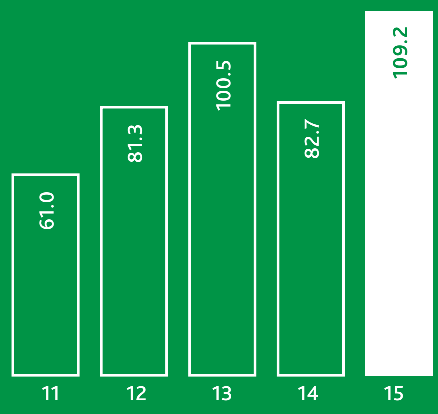
Adjusted operating profit (£000)

+31.9%



Adjusted basic earnings per share (pence)

+32.0%



Ten year financial record
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Established reputations

Who we are

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

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

Our businesses

armfield

Armfield's innovative engineering teaching and research equipment is aimed at the broad disciplines of civil, chemical and mechanical engineering for universities, schools and colleges. Their industrial division provides market-leading R&D technology for applications in food, beverage, edible oils, ingredients and pharmaceuticals industries.

Products and services:

- Dedicated engineering teaching products
- Market-leading R&D technology
- Flexible product training packages
- Product maintenance contracts
- Worldwide network of agents and support

FTT Fire Testing Technology

FTT is the world leader in the design, manufacture and service of instruments that measure the reaction of a variety of materials to fire. Over the last 20 years FTT has developed its technology and expertise to become the benchmark in fire testing.

Main products:

- Cone Calorimeters
- Large Scale Calorimeters
- NBS Smoke Chambers
- Oxygen Index Test

Scientifica – Experts in Electrophysiology & Imaging

Scientifica is a world leader in micropositioning equipment, microscopes and advanced imaging systems used in electrophysiology and neuroscience. Our products are in use at most of the top scientific laboratories throughout the world, where they help researchers unlock the secrets of life as they investigate the mysteries of human brain, nerve and other cells.

- Award-winning micromanipulators, stages and equipment for electrophysiology
- A range of microscopes, multi-photon cell imaging, and Optogenetics systems
- All products designed and built in the UK, with around 75% of sales for export
- Offices in the UK and US

Quorum Technologies

East Sussex-based Quorum Technologies manufactures market-leading scientific instruments primarily used for electron microscopy (EM) sample preparation. Electron microscopy is a key research tool in almost every area of scientific endeavour, from the fight against cancer and major diseases, through to food safety and the development of advanced microelectronics and new materials.

Awards:

- 2014: Queen's Award for Enterprise in International Trade

Key products:

- Q Series of vacuum coating systems
- PP3010T cryo preparation systems for SEM and FIB/SEM

Growing by acquisition

11

Eleven acquisitions since May 2005

Achievements

5

5 Queen's Awards for design excellence and export

Growing dividend

14%

Total dividend of 25p; an increase of 14%

GDS designs, develops and manufactures equipment and software used for the computer-controlled testing of soils and rocks. This technology is used to evaluate the mechanical properties that are key in geotechnical and earthquake engineering design.

Services include:

- Advanced systems for commercial soil and rock testing laboratories
- Bespoke systems for university research in the engineering properties of soil and rock

Sircal designs, manufactures and distributes rare gas purifiers typically for use in metal analysis utilising the Arc/Spark spectrometry technique.

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

Optical fibers are now the main medium for long distance transmission of telecommunication data. We export 95% of our products and have an installed base in approximately 40 countries.

Products enable:

- Production of optical fibers
- Characterisation of optical fiber cables
- Performance confirmation of installed telecommunication networks
- R&D for new fiber designs

UHV Design, founded in 1993, specialises in the design, manufacture and supply of high precision sample heating and manipulation products for use in the high and ultra-high vacuum markets for materials research. Globally, our products often play a pivotal role in major big physics experiments including:

- High energy particle accelerators such as CERN and SLAC
- Synchrotron light sources including the UK's own facility, Diamond

They are also used routinely in laboratory scale R&D instrumentation focused on new state-of-the-art materials, typically for use in:

- Semiconductors
- Photovoltaics
- Catalysis
- Bio-compatible materials

Deben is a precision engineering company which specialises in the field of tensile testing, motion control and specimen cooling for microscopy applications.

Main products:

- Motor control systems
- Micro-tensile stages
- Cooling stages
- Digital imaging for SEM & TEM
- Beam blanking equipment

CoolLED designs and manufactures cutting edge LED illumination systems for researchers and clinicians using the latest LED technology. They are more stable, longer lasting, and energy efficient than traditional mercury based illuminators and offer superior safety and environmental features.

Main products:

- pE-100 range of compact, simple-to-use, single wavelength illumination systems for screening fluorescence
- pE-300white range that offers intense, broad spectrum illumination covering the excitation bands of common fluorescent stains for regular fluorescence work
- pE- 4000 – the universal LED illumination system for research that sets a new standard for the industry

CHAIRMAN'S STATEMENT

Summary

- Since our first acquisition in 2005, we have returned cumulative dividends of 113.4p, exceeding our flotation price of 95p.
- The underlying market remains robust setting the scene for strong long-term returns for shareholders.
- This year we saw the acquisition of Armfield Limited for £9.6 million plus excess cash. Since the year-end we have also completed the acquisition of CoolLED Limited for an aggregate consideration of up to £4.5 million.

Judges achieved notable growth in 2015, reflected in record sales, pre-tax profit and earnings per share. While the scientific instrumentation sector benefits from excellent long-term growth drivers, the last three to four years have been marked by uneven demand; a dynamic that affected most of the Group's activities during the course of 2014. I am pleased to report that 2015 saw a marked improvement in business conditions throughout the Group, with orders recovering from the second quarter, driving up most of the Group's performance indicators.

Performance

The year under review saw the completion of the acquisition of 100% of the issued share capital of Armfield Limited ("Armfield") on 21 January 2015 for a total of £9.6 million plus excess cash, including a £1.3 million earn-out which was subsequently paid in full following achievement of the financial targets set. Armfield designs and markets research instruments for educational applications and for R&D in the food, beverage and pharmaceutical industries. Since the year-end we have also completed the acquisition of CoolLED Limited for an aggregate consideration of up to £4.5 million.

The Armfield acquisition together with organic growth from our portfolio of businesses resulted in a 38.5% increase in revenues to £56.2 million (2014: £40.6 million) and adjusted operating profits of £9.3 million compared with £7.0 million in 2014.

It is gratifying to note that in the eleven years since our first acquisition in 2005, we have now returned cumulative dividends of 113.4p, thereby exceeding our original flotation price of 95p.

Strategy

The Group's strategy is based on creating shareholder returns through highly selective and carefully structured acquisitions, underpinned by solid and consistent earnings and cash flows arising from our acquired businesses.

The Group's acquisition model is to acquire small/medium sized scientific instrument companies, paying a disciplined multiple of earnings and to finance any acquisition generally through existing cash resources and/or the Group's revolving acquisition facility. We are highly selective in acquiring businesses with long-term sustainable profits and cash flows which then result in immediate and long-term earnings enhancement for our shareholders. It is paramount that acquisitions are completed only when the Directors are satisfied that the target business has sound long-term strength. As our Group grows it is then able to pay down the acquisition debt more rapidly, making space to reinvest in further acquisitions, subject to our prudent approach on gearing.

The underlying market for scientific instruments remains robust and the sector's long-term growth drivers provides comfort that the Group will continue to deliver strong long-term returns for shareholders. Market drivers are based on expanding higher education and the continued worldwide drive across science and industry for improved measurement and optimisation.

Directorate changes

After ten years' service, Ralph Cohen elected to retire from his executive position of Group Finance Director at the end of April 2015. Ralph made an immense contribution to Judges Scientific's growth during this period which saw the Group's market capitalisation grow from £4 million to £100 million. I am delighted that we will continue to benefit from his insight in his role as a Non-Executive Director.

He has been 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 its successful IPO. Brad has proved a welcome addition to the management team and we look forward to his continued contribution long into the future.

Our team

Our employees, many of whom are also shareholders in the Group, continue to foster and demonstrate the success of our enduring culture of engineering excellence and autonomous hard work and your Board's thanks go to all our employees and stakeholders for the important contributions they made during the year to the continuing success of your Group.

Alex Hambro
Chairman
21 March 2016

CHIEF EXECUTIVE'S REPORT

Summary

- **Total dividend of 25p per share.**
- **Investment towards research and development increased to 5.4% of revenue.**
- **Acquired Armfield Limited in January 2015 and CoolLED Limited in February 2016 post-year end.**
- **US office opened for Scientifica at start of 2016.**

Group revenues for the financial year ended 31 December 2015 advanced from £40.6 million to £56.2 million. This reflects organic growth of 4.9% and an eleven-month contribution from Armfield. For the year as a whole and excluding Armfield, revenues rose 10% in the UK, 4% in the USA and 48% in China. Sales into Continental Europe were stable reflecting the ongoing challenging economic environment in the region.

Profit before tax and adjusting items progressed by 35.6% to £8.8 million (2014: £6.5 million), with the operating contribution of the businesses owned as at 1 January 2014 (i.e. excluding Armfield) ("organic") up 4.2%. The operating subsidiaries (including Armfield) produced a Return on Total Invested Capital of 24.1% (2014: 24.0%).

Basic earnings per share before adjusting items increased by 32.0% from 82.7p to 109.2p, while fully diluted earnings per share before adjusting items rose 33.3% to 107.3p (2014: 80.5p).

Order intake recovered strongly after the first quarter and the year as a whole shows an organic improvement of 12.7% compared with 2014. As a result the order book grew organically from 9.9 weeks, as at 1 January 2015, to 11.4 weeks as at 31 December. Armfield also experienced solid order activity post acquisition and the total order book at the year-end (including Armfield) reached 11.9 weeks.

Cash-flow was strong during 2015. Cash generated from operations amounted to £8.5 million (2014: £7.5 million) and adjusted net debt as at 31 December 2015, excluding subordinated debt owed to non-controlling shareholders, amounted to £4.0 million (2014: £1.3 million). Year-end cash balances totalled £8.5 million (2014: £11.1 million). The new banking arrangement put in place at the end of 2014 has enabled the Company to reduce cash in hand and gross indebtedness without a corresponding reduction in headroom.

Dividends

The first interim dividend paid in November 2015 completed the return to the Company's original shareholders of their entire investment of 95p. A second interim dividend of 15.9p is being paid today. Your Board is recommending a final dividend of 1p per share which, subject to approval at the forthcoming Annual General Meeting on 25 May 2016, will make a total distribution of 25p per share in respect of 2015 (2014: 22p per share). Despite the proposed increase, the total dividend is covered over four times by adjusted earnings per share.

The proposed final dividend will be payable on 8 July 2016 to shareholders on the register on 10 June 2016 and the shares will go ex-dividend on 9 June 2016.

The Company's registrars have put in place a Dividend Reinvestment Plan (DRIP) to enable shareholders to automatically reinvest their dividends in new Judges shares should they so wish.

Trading environment

The long-term fundamentals supporting demand for scientific instruments remains positive. Market demand is being driven primarily by increased worldwide investment in higher education and a growing trend towards optimisation across all forms of business; and optimisation requires measurement.

Despite these positive long-term trends, the markets across which Judges and its peers operate are characterised by a degree of shorter term variability, influenced mostly by government spending, currency fluctuations and the business climate in major trading blocs, particularly China. In smaller territories, year on year comparisons can be somewhat meaningless, partly due to the long gestation period often encountered before purchasing intentions crystallise into orders and sales.

As a large percentage of the Group's sales are overseas, exchange rates have a significant impact. Judges' manufacturing costs are largely in Sterling and most of its revenue originates from countries where the standard of value is the Euro (one third of total revenue) or the US Dollar (half of total revenue). Compared with 2014 (when the £/$ rate was particularly high), 2015 saw an overall improvement with a much stronger Dollar, albeit alongside a weaker Euro. Current exchange rates are, in the main, the most favourable we've seen since 2009.

In 2015, the Group's revenue and profit displayed a seasonal bias not experienced before. This reflected the combined effect of (i) starting the year with a poor order book and demand progressing through the year; and (ii) Armfield showing significant bias toward the second half. Your Board believes that the second half bias will continue but may be less marked in the future.

We are always seeking to maintain and develop market share through the creation of new and improved products. This is evidenced by our significant investment in research and development. Your Group's investment towards achieving these goals increased to £3.0 million during 2015, equivalent to 5.4% of Group revenue (2014: 4.0%). We have budgeted for a further increase to 6% in 2016 reflecting the importance we place in providing our customers with innovative, state-of-the-art, products.

CHIEF EXECUTIVE'S REPORT continued

Acquisitions

The acquisition of new businesses is essential to our strategy as a buy and build Group. Ensuring long term value and shareholder returns is a function of making appropriate acquisitions, as opposed to the number of acquisitions. To that end, we acquired Armfield in January 2015 and, following the financial year end, CoolLED in February 2016. Both companies were acquired in line with the Group's acquisition strategy and have strong fundamentals.

The market in which we operate in the UK is highly fragmented. It is also recognised as a centre of excellence for product innovation and manufacturing. Our Group has worked hard during the past decade to build a reputation as a worthwhile home for businesses in our sector whose owners wish to sell. We are trusted to act decisively and to complete deals under the initial terms agreed. Consequently, we continue to see many opportunities; affording us a high degree of selectivity.

Armfield

Armfield Limited ("Armfield") is a company involved in the design and marketing of engineering equipment and research instruments for educational applications and R&D systems focused on the food, beverage and pharmaceutical industries. The company is based in Ringwood, Hampshire with a sales office in New Jersey, USA.

The purchase consideration included an £8.3 million cash payment and an earn-out, paid in full, totalling £1.3 million which was settled 50% in cash and 50% in shares. The earn-out target was adjusted operating profits of £1.96 million, meaning the acquisition price was equivalent to five times earnings. The acquisition was financed from the Group's cash resources and £4.8 million drawn from the new acquisition facility.

Armfield has a well-respected reputation for quality and service in its niche markets. Its historic revenue profile is weighted towards the second half of the year, which may cause some seasonality for the Group as a whole.

Since acquisition, Armfield has performed in accordance with our expectations and order intake over the post-acquisition period has remained encouraging.

CoolLED

CoolLED Limited ("CoolLED") is a company involved in the production and marketing of LED illumination systems for fluorescence microscopy. The purchase consideration includes a £3.5 million cash payment and a potential £1.0 million earn-out.

CoolLED's adjusted EBIT for the 12 months period ended on 30 September 2015 amounted to £0.75 million and the earn-out will be paid to the extent that adjusted EBIT for the financial year ended 30 June 2016 exceeds £0.78 million up to a £1.0 million cap. A further payment will be made to reflect the excess cash in the books of CoolLED at completion.

The £3.5 million paid at completion was drawn from the Group's acquisition facility.

CoolLED's innovative products have proven their value to researchers as high quality LED lighting sources which are progressively replacing outdated mercury lamps. It has grown strongly over the past few years and Scientifica, a major customer, believe their products are the best available.

Scientifica US office opening

Following the acquisition of Armfield, and with it our first permanent office in the US, we have taken advantage of Armfield's presence in New Jersey, and opened an office for Scientifica at the beginning of 2016. The US represented 37% of Scientifica's sales in 2015 without a local office and this offers an opportunity to grow Scientifica's market share. The office is adjacent to Armfield and hence we now have a Judges hub on the East Coast.

Current trading and prospects

After experiencing an acceleration of order inflow during the last few weeks of 2015, bookings for the first ten weeks of 2016 were low, as has been the experience in the previous two years. The slow start to the year may become a permanent feature of our business, perhaps attributable to the eagerness of many public bodies to order before the end of the calendar year and to the Chinese New Year shutdown each February.

The US Dollar has continued to progress since the year-end and Sterling has also weakened against the Euro, producing the most favourable forex environment since 2009. The Group starts the year with a solid order book, a small but exciting new acquisition and a strong financial position, all of which serves to underpin the Board's confidence that Judges is well positioned to face the inevitable challenges of 2016.

David Cicurel
Chief Executive
21 March 2016

Buy and build

Develop the Group through a "buy-and-build" programme of carefully structured acquisitions, supported by long-term organic individual business development.

Target companies need to meet exacting performance criteria that supports sustainable sales, profits and cash generation.

Core value is created through the repayment of debt used to acquire target companies and organic sales growth.

The scientific instrument sector is a robust market, supporting long-term organic growth and cashflow generation, underpinned by long-term global drivers, based on growth in higher education and the industrial push to improve optimisation, which requires measurement.

The UK is a recognised worldwide centre of excellence for scientific instrument development and manufacture, placing us in a good position to consolidate and support a fragmented market, characterised by over 2,000 privately held businesses in the UK alone.

1 LEVERAGE EXPERTISE AND CAPITAL

We use our knowledge of the scientific instrument sector to identify and progress suitable acquisition targets. Through longstanding relationships, we leverage our access to capital enabling us to act decisively and in a timely fashion.

2 ACCUMULATE SUSTAINABLE, ESTABLISHED BUSINESSES

The companies we acquire have established reputations in worldwide niche markets and must generate sustainable profits and cash. We pay three to six times EBIT according to size and borrow up to 2.5 times EBITDA at 2-4% depending on the Group's level of gearing.

3 CREATE AN ENVIRONMENT WHERE BUSINESSES CAN THRIVE

We buy successful businesses with long term futures. Our approach is to create additional opportunities through guidance, business support, expertise and capital, under an umbrella of robust financial controls.

4 REPAY DEBT AND REINVEST PROFITS IN FURTHER ACQUISITIONS

DIVERSE PORTFOLIO WITH SUSTAINABLE RETURNS AND STRONG DIVIDENDS

International competitiveness

Economic conditions

Why is it important?	What are we doing to mitigate the risk?
The Group's customers are internationally located and are often state-owned or those whose liquidity are closely linked to government 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.	The Group seeks to trade globally in order to diversify this risk as best possible.

Currency and foreign exchange

Why is it important?	What are we doing to mitigate the risk?
The Group exports the large majority of its products, hence is exposed to fluctuations in exchange rates which may impact on its competitiveness.	The Group seeks, so far as is practicable, to mitigate these currency effects via hedging foreign exchange rates. Additional detail is set out in note 25.

Acquisitions

Why is it important?	What are we doing to mitigate the risk?
An important element of the Group's business strategy is development through acquisition; the Group is exposed to the risk of insufficient availability of target companies of requisite quality and 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.

Competition

Why is it important?	What are we doing to mitigate the risk?
The Group faces competition across its businesses and there can be no certainty that its business will achieve the market penetration it seeks. There is also no guarantee that there will be no new competition or new entrant to the market with better products.	The Group seeks to mitigate this through detailed market analysis when considering acquisitions and seeks to acquire companies in small global niches. Additionally the Group continues to listen carefully to its customers' aspirations for product development and, where possible, satisfy those product development requests.

R&D and Products

Why is it important?	What are we doing to mitigate the risk?
The Group continues to invest in the development of new products to meet the needs of our end customers. There is a risk that our businesses may be unable to develop suitably commercial and technically reliable new products with which to maintain and drive sales growth.	The Group maintains a focus on ensuring there are ongoing R&D roadmaps for our businesses and that we continue to invest in well trained and qualified R&D and operations teams to deliver quality, well-engineered products for our customers.

Key personnel

Why is it important?	What are we doing to mitigate the risk?
The Group's future success is dependent on its senior management and key personnel and given the small niche-serving nature of the Group's businesses, there is always a challenge to maintain back-up support in respect of key roles or replace key staff should they leave our organisation.	The Group seeks to provide a positive work environment with opportunities for career growth coupled with appropriate remuneration and where appropriate, share option incentives.

On behalf of the board

David Cicurel
Director
21 March 2016

Company registration number: 04597315

FINANCE DIRECTOR'S REPORT

Summary

- **Group revenues grew by £15.6 million to £56.2 million, including organic growth of 4.9%.**
- **Adjusted operating profits increased to £9.3 million (2014: £7.0 million).**
- **Order intake grew by 12.7% compared with 2014.**
- **Adjusted net debt of only £4 million despite acquisition of Armfield for £9.6 million.**

The Group's strategy is based on the acquisition of companies operating in the scientific instruments sector and the pursuit of good performance of its existing subsidiary businesses.

The Group's Key Performance Indicators focus on the development of earnings per share, cashflow generation in order to repay acquisition debt and fund dividend payments to shareholders, and return on capital.

Revenue

Group revenues grew by £15.6 million to £56.2 million (2014: £40.6 million). The Group returned to organic sales growth with an increase of 4.9% in the year (2014: decrease of 3.0%) supplemented by the acquisition of Armfield which contributed 11 months of trading to the Group's results. This organic growth was pleasing with advances seen across almost all of our businesses, while Armfield also performed in accordance with our expectations in its first period post-acquisition.

The Materials Science segment revenues grew to £28.3 million compared to £14.4 million in 2014, and Vacuum revenues increased by 6.6% to £27.9 million (2014: £26.1 million). The acquisition of Armfield accounts for the majority of the revenue increase in the Materials Science segment, with organic sales responsible for the remainder. The increase in Vacuum revenues were a result of organic sales growth.

Profits

Adjusted operating profits increased to £9.3 million from £7.0 million in 2014, an increase of 31.9% driven largely by the new Armfield acquisition. Overall operating margin reduced from 17.3% in the prior year to 16.5%, reflecting Armfield's lower historical margins as a result of sub-contracting all their manufacturing and assembly. Adjusted profit before tax was £8.8 million compared to £6.5 million.

Statutory operating profit was £1.8 million compared to £2.9 million in 2014, and statutory profit before tax was £1.3 million compared to £2.4 million in 2014, both reflecting the level of adjusting items recorded this year.

Adjusting items

Total adjusting items were £7.5 million (2014: £4.1 million). The vast majority of this arose from amortisation of intangible assets recognised upon acquisition which totalled £6.7 million. This included £3.0 million of amortisation from Armfield of which £1.9 million related to fully amortising the acquired short-term order book within four months of the acquisition date, as required under IFRS.

Finance costs

Net finance costs (excluding adjusting items) totalled £0.5 million (2014: £0.6 million). Statutory net finance costs were £0.6 million in 2015, reflecting the net finance cost of our defined benefit pension scheme which we acquired with Armfield at the start of 2015.

Taxation

The Group's tax charge on adjusted profit before tax was £1.8 million (2014: £1.2 million). The effective tax rate is 20.0% (2014: 18.6%). The change in the tax rate is primarily explained by the overriding UK corporation tax rate of 20.25% applicable to these accounts, reduced through application of R&D tax credits and offset by the impact of higher tax rates in the US applicable to the profits of Armfield's US subsidiary. With the opening of Scientifica's new US subsidiary, and our expectations that it will prove a positive step for their continuing US trading, it is to be expected that as more profit is generated in the US, this will weigh against future reductions in UK corporation tax and hence the Group's effective tax rate.

Earnings per share

Adjusted basic earnings per share was 109.2p (2014: 82.7p per share) an increase of 32.0%, while adjusted diluted earnings per share rose by 33.3% to 107.3p (2014: 80.5p per share).

Statutory basic earnings per share, after reflecting adjusting items, which were heavily influenced by the amortisation of intangible assets arising from the acquisition of Armfield, were 12.8p (2014: 35.7p per share) while statutory diluted earnings per share totalled 12.6p (2014: 34.7p per share).

Order intake

Order intake recovered strongly following a slow first quarter and, overall, organic order intake grew by 12.7% compared with the prior year. Your Board considers order intake and the resultant period end order book as a critical guide to the Group's ability to achieve its profit targets. At 31 December 2015, our organic order book stood at 11.4 weeks of budgeted sales compared to 9.9 weeks at the start of 2015. This, coupled with Armfield's order book, gives a Group total of 11.9 weeks.

Return on capital

The Group closely monitors the return it derives on the capital invested in its subsidiaries. At 31 December 2015 ROTIC was 24.1% compared with 24.0% at the end of 2014. This reflects the impact of the earnings multiple for the Armfield acquisition offset by the recovery in trading for the Group's other businesses during 2015.

The annual rate of return on total invested capital ("ROTIC") is calculated by comparing attributable earnings excluding central costs, adjusting 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).

ROTIC is influenced by the performance of the businesses and the size of, and multiple paid for, acquisitions. We continue to strive to drive ROTIC towards previous heights although we remain cognisant of the downward impact that acquiring businesses at higher multiples has on overall ROTIC.

Dividends

In respect of the financial year ended 31 December 2015 the Company has paid two interim dividends; the first of 8.1p was paid in November 2015 and a second dividend of 15.9p is being paid today. The Board is recommending a final dividend of 1.0p per share which will, in aggregate, total 25.0p per share, subject to shareholder approval (2014: 22.0p per share). Dividend cover remains more than four times adjusted earnings per share.

Your Group's policy is to pay a progressively increasing dividend provided the Group retains sufficient cash and borrowing resources with which to pursue its longstanding business acquisition policies.

Headcount

At 31 December 2015, the Group's total number of employees stood at 335 (2014: 273). The growth in staff during the year primarily reflected the acquisition of Armfield and further investment in our sales and marketing and R&D resource. Following the post year-end acquisition of CoolLED, the total now stands at 365 employees.

Share capital and options

The Group's issued share capital at the year-end totalled 6,098,549 Ordinary shares (2014: 5,996,211). The issued shares arose from the settlement of the earn-out arising on the acquisition of Armfield and also from the exercise of share options by various members of staff and Directors during the year. See note 23 for further details.

On 21 October 2015, the Group announced that replacement share options schemes had been approved following the lapsing of the share option schemes in place since the Group's IPO in 2005. This provides the Group with the ability to continue to issue share options as a means of rewarding and incentivising key staff across the Group. The 2015 schemes consist of an Approved and Unapproved Share Option plan which enable the Group to issue up to £30,000 of HMRC Approved Share Options (based on the market value of the shares at the date of grant) and additional Unapproved Share Options which do not confer the same tax-advantaged status.

Share options issued during the year under both the 2005 and 2015 schemes totalled 144,172 options and the total share options in issue amount to 256,176 (2014: 180,254 options).

Defined benefit pension scheme

As part of the acquisition of Armfield, the Group acquired a defined benefit pension scheme. At 31 December 2015 the net pension liability was £1.1 million, compared to £1.4 million upon acquisition. This scheme has been closed to new members from 2001 and closed to new accrual in 2006. Following the scheme's most recent actuarial valuation in 2014, and as agreed through the acquisition process, the annual contributions to the scheme were increased to £0.2 million subject to the next full actuarial valuation in 2017. The Group keeps under review appropriate methods to control the deficit.

Cashflow and net debt

Cash generated from operations totalled £8.5 million (2014: £7.5 million), slightly below adjusted operating profit for the year. Total capital expenditure on property, plant and equipment amounted to £0.5 million (2014: £0.2 million). Year-end cash balances totalled £8.5 million (2014: £11.1 million).

Adjusted net debt was £4.0 million as at 31 December 2015, representing an increase of £2.7 million on the year. During the year we acquired Armfield for £9.6 million and this outlay has been substantially offset by the Group's strong cash generation. It is our intention to maintain a conservative gearing position and at 31 December 2015 this was 0.43 times adjusted operating profit (2014: 0.19 times) and 17% of equity (2014: 7%).

The Group continues to have strong financial means with which to pursue its acquisitive strategy under the existing five year banking arrangements with Lloyds Bank Corporate Markets which were put in place in December 2014. Our historical acquisition loans were consolidated into one single five year amortising loan; and a £10.0 million revolving acquisition facility, which at the year-end was only drawn to £2.8 million (2014: £nil), provides the Group with substantial financial strength and the speed and credibility to proceed with acquisitions in a more streamlined manner. This was evident as part of our negotiations for the CoolLED acquisition.

Overall your Group is well positioned to continue to execute its strategy of driving growth in earnings through selectively acquiring strong niche businesses in our sector supported by the ongoing performance of its existing businesses.

Brad Ormsby
Group Finance Director
21 March 2016

Extensive experience

Our board

Providing a unique combination of international business, investor and financing experience across public and private markets.

Hon Alexander Hambro
Chairman

A R

Alex Hambro (born 1962) is an independent consultant for a number of private equity and venture capital fund management groups and family office investors advising his clients on the establishment of alternative investment funds and investment strategies. Fund managers that he has advised include: Sand Aire Private Equity, Crescent Capital and Prospect Investment Management Limited.

Alex has been in the private equity industry for 21 years during which time he has acted as a principal investor, manager and sponsor of private equity and venture capital management teams. Alex managed the venture capital and private equity fund investment portfolio for Hambros plc, prior to its sale to Société Générale in 1998.

In addition to his private equity activities Alex is non-executive Chairman of Octopus Eclipse VCT PLC and Benchmark Holdings plc, and a non-executive Director of Hazel Renewable Energy VCT 2 PLC.

David Cicurel
Chief Executive

David Cicurel (born 1949) founded Judges in 2002 having spent much of his career as a turnaround specialist and, subsequently, as an 'active value' investor operating with his own funds.

He has been responsible for several corporate recovery exercises including two UK public companies, International Media Communications plc (later known as Continental Foods) and International Communication and Data plc.

Brad Ormsby
Group Finance Director

Brad Ormsby (born 1976) is a Chartered Accountant who has significant senior finance and operational experience acquired during nine years at PwC followed by six years at Eurovestech plc, the pan-European development capital fund, and associated companies.

Prior to joining Judges Scientific, Brad was Chief Financial Officer at Kalibrate Technologies plc, where he was actively involved in the company's successful IPO.

David Barnbrook
Chief Operating Officer

David Barnbrook (born 1952) is a Chartered Engineer with more than 20 years' experience as a Senior Manager and Director in sectors encompassing defence, instrumentation, aerospace and customer service.

He is a former Program Director at EDO MBM Rugged Systems and Operations Manager at Muirhead Vactric Motion Controls, both of which are suppliers to the defence and aviation industries. Previously (1988-96) he was Production and Operations Manager at Rheometric Scientific, a specialist in the design and manufacture of thermal analysis instrumentation and flammability testing apparatus.

Ralph Cohen
Non-Executive

Ralph Cohen (born 1948) was the Finance Director of Judges Scientific plc for nearly 10 years until his retirement in April 2015. He held various senior executive positions within the energy and water divisions of the Paris based Vivendi group between 1981 and 2001, including eight years as Finance Director of a listed subsidiary, followed by positions as Managing Director within that group.

He previously spent nine years at Ernst & Young. Latterly he was the founding partner of MC Consultancy Services where he was closely associated with major projects, including electricity supply opportunities in Europe and M&A projects.

He is currently the non-executive Chairman of the recently AIM-listed Yü Group PLC.

Ralph Elman
Non-Executive

A R

Ralph Elman (born 1953) was a former finance director of quoted companies Paramount plc, Delyn plc and International Communication & Data plc and Finance Director of businesses within GUS plc and RR Donnelley.

Ralph was Senior Partner of accountancy firm Elman Wall and is non-executive Director of a number of private companies. He is chairman of the Judges audit committee.

Glynn Reece
Non-Executive

A R

Glynn Reece (born 1958) is a graduate of Oxford University and a qualified solicitor. Since 1987, he has specialised in providing Corporate Finance deal origination and advisory services, working for (inter alia) Coopers & Lybrand, Arthur Andersen and CLB, a specialist AIM firm.

He is currently a director and co-owner of Nathan Alexander Limited, a company that acts as a corporate stockbroker and an arranger of pre-flotation finance for small fast-growing companies.

Committee membership

A Audit committee

R Remuneration committee

DIRECTORS' REPORT

For the year ended 31 December 2015

The Directors present their report and audited consolidated financial statements for the year ended 31 December 2015. Comparative information is provided for the year ended 31 December 2014.

Results and dividends

The results for the financial year to 31 December 2015 are set out in the Consolidated Statement of Comprehensive Income. The Company paid a first interim dividend of 8.1p per Ordinary share on 7 November 2015. The Company is paying a second interim dividend of 15.9p per Ordinary share on Tuesday 22 March 2016 to shareholders on the register on Friday 4 March 2016. The shares went ex-dividend on Thursday 3 March 2016. At the forthcoming Annual General Meeting, the Directors will recommend payment of a nominal final dividend for the year of 1.0p per Ordinary share to be paid on Friday 8 July 2016 to shareholders on the register on Friday 10 June 2016. The shares will go ex-dividend on Thursday 9 June 2016. The total dividend proposed for the 2015 financial year will aggregate to 25.0p, an increase of 13.6% (2014: 22.0p).

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 performed positively and generated satisfactory cash flows resulting in net debt of 17% of equity, despite the £10 million acquisition of Armfield in January 2015, and the Group entered 2016 with a robust order book. Whilst the global economic environment remains uncertain, the Directors consider that the Group is well placed to manage its business risks successfully.

The Directors therefore have a reasonable expectation that the Group has 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.

Payment policy

The Group's policy is to agree terms and conditions with suppliers in advance and to pay agreed invoices in accordance with the agreed terms of payment. Creditor days of the Company at the end of the year represented 26 days (2014: seven days).

Financial risk management objectives and policies

The Group utilises financial instruments (see note 21), 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 25 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 £4.0 million at 31 December 2015 (see note 20), exposure to interest rate fluctuations remains a low risk to the Group; however, the Group's loans are subject to interest rate hedges, as described in note 25.

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. Additionally where the Group has already repaid funds into the revolving credit facility, it is able to subsequently redraw these funds should the need arise.

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 or 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. 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 2015 of £4.0 million (see note 20) and cash and cash equivalents of £8.5 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 and until the date of signing this report:

Hon. AR Hambro[1] – non-executive

Mr DE Cicurel

Mr D Barnbrook

Mr RL Cohen – non-executive from 1 May 2015

Mr RJ Elman[1] – non-executive

Mr GC Reece[1] – non-executive

Mr BL Ormsby – appointed on 3 March 2015

1 Member of the audit and remuneration committees.

DIRECTORS' REPORT continued

Corporate governance

Being AIM quoted, 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, although currently this excludes Ralph Cohen given his transition from an executive role to that of a non-executive. Once Ralph has served as a Non-Executive Director for more than one year, consideration will be given to his appointment to certain of the Board committees.

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.

The main Board meets monthly in addition to any ad hoc Board meetings that may be required during the year, such as for the approval of the new 2015 share option schemes. All Board members were in attendance at all meetings this year.

The audit committee met three times, once in reviewing the audit scope and plan, and twice to review the auditors findings on the financial results. The remuneration committee met four times to review the level of executive pay, share incentives and also to approve the remuneration arrangements for Brad Ormsby, who was appointed to the Board this year.

2015 Share option scheme

On 21 October 2015, the Board approved two new share option plans, one approved and one unapproved to replace the two existing schemes that recently lapsed (collectively "the 2015 Option Schemes"). Under the 2015 Option Schemes the Board may grant options over Ordinary shares of 5p in the Group to senior management and employees as means to retain and incentivise staff.

The original share option schemes, implemented in 2005, no longer allow share option issues, however any existing options already issued under those schemes remain valid until their maturity dates.

The Option Schemes are materially equivalent in nature to the lapsed schemes.

Directors' interests

At 31 December 2015, the Directors had the following beneficial interests in the Company's Ordinary shares of 5p each and options to subscribe for shares:

Ordinary shares of the company

	31 December 2015		1 January 2015	
	Shares	**Options**	Shares	Options
Non-Executive Directors				
Hon. AR Hambro	**77,500**	—	92,500	—
Mr RL Cohen	**64,341**	**1,775**	58,039	7,875
Mr RJ Elman	**62,398**	—	62,398	—
Mr GC Reece	—	—	—	—
Executive Directors				
Mr DE Cicurel	**916,672**	**9,275**	916,520	1,775
Mr BL Ormsby	—	**60,000**	—	—
Mr D Barnbrook	**21,953**	**28,325**	22,491	28,325

Dividends paid in the year to Directors who hold shares amounted to £260,000 in aggregate (2014: £234,000).

Throughout 2015, 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 for all eligible employees who have completed twelve months service within the Group. Shares acquired by Directors, including matching shares, were 152 acquired by Mr DE Cicurel (2014: 131), 162 by Mr D Barnbrook (2014: 110) and 202 by Mr RL Cohen (2014: 132).

Options over Ordinary shares in the Company

Date of option issue	Number of shares Mr DE Cicurel	Mr D Barnbrook	Mr BL Ormsby	Mr RL Cohen
2005 Option Scheme				
28 April 2008 at 124p	—	6,550	—	—
23 July 2009 at 92p	—	10,000	—	—
9 May 2011 at 470p	—	5,000	—	—
25 October 2013 at 1690p	1,775	1,775	—	1,775
30 March 2015 at 1437.5p	—	—	60,000	—
2015 Option Scheme				
21 October 2015 at 1402.5p	7,500	5,000	—	—
	9,275	28,325	60,000	1,775

Directors' remuneration

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

	Salary/fees £000	Bonus £000	Pension £000	Benefits £000	**2015 total £000**	2014 total £000
Non-Executive Directors						
Hon. AR Hambro	33	—	—	—	**33**	33
Mr RL Cohen (from 1 May 2015)	15	—	—	—	**15**	—
Mr RJ Elman	23	—	—	—	**23**	23
Mr GC Reece	48	—	—	—	**48**	38
Executive Directors						
Mr DE Cicurel	160	40	—	5	**205**	162
Mr BL Ormsby (from 3 March 2015)	112	28	6	1	**147**	—
Mr D Barnbrook	129	32	6	16	**183**	148
Mr RL Cohen (to 30 April 2015)	46	11	—	2	**59**	142
Total	566	111	12	24	**713**	546

During the course of 2015 Mr D Barnbrook exercised options over 5,000 Ordinary shares at a price of 1400.0p realising a gain of £65,000, and Mr RL Cohen exercised options over 6,100 Ordinary shares at a price of 1482.5p realising a gain of £66,000.

DIRECTORS' REPORT continued

Statement of 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 Group consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 Group and the parent company for that period.

In preparing each of the Group and parent company 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 IFRSs or UK Accounting Standards have been followed, subject to any material departures disclosed and explained; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also generally responsible for taking steps as are reasonably open to them to (i) safeguard the assets of the Group and (ii) prevent and detect fraud and other irregularities.

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.

Provision of information to the auditor

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.

Auditor

The auditor, Grant Thornton UK LLP, has 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.

Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday 25 May 2016 at 12pm at the Lansdowne Club, 9 Fitzmaurice Place, London W1J 5JD.

On behalf of the Board

Brad Ormsby
Director
21 March 2016

Company registration number: 04597315 (England and Wales)

INDEPENDENT AUDITOR'S REPORT

To the members of Judges Scientific plc

We have audited the consolidated financial statements of Judges Scientific plc for the year ended 31 December 2015 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 29. 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 2015 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 2015.

Philip Sayers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
21 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	Adjusted £000	Adjusting items £000	2015 Total £000	Adjusted £000	Adjusting items £000	2014 Total £000
Revenue	3	56,203	—	56,203	40,568	—	40,568
Operating costs		(46,953)	—	(46,953)	(33,555)	—	(33,555)
Adjusted operating profit	3	9,250	—	9,250	7,013	—	7,013
Adjusting items	4	—	(7,443)	(7,443)	—	(4,078)	(4,078)
Operating profit/(loss)		9,250	(7,443)	1,807	7,013	(4,078)	2,935
Interest income	9	28	—	28	19	—	19
Interest expense	9	(523)	(60)	(583)	(577)	—	(577)
Profit/(loss) before tax		8,755	(7,503)	1,252	6,455	(4,078)	2,377
Taxation (charge)/credit	10	(1,753)	1,615	(138)	(1,200)	1,175	(25)
Profit/(loss) for the year		7,002	(5,888)	1,114	5,255	(2,903)	2,352
Attributable to:							
Owners of the parent		6,614	(5,839)	775	4,926	(2,803)	2,123
Non-controlling interests		388	(49)	339	329	(100)	229
Profit/(loss) for the year		7,002	(5,888)	1,114	5,255	(2,903)	2,352
Other comprehensive income							
Items that will not be reclassified subsequently to profit or loss							
Retirement benefits actuarial gain				113			—
Items that may be reclassified subsequently to profit or loss							
Exchange differences on translation of foreign subsidiaries				13			—
Other comprehensive income for the year, net of tax				126			—
Total comprehensive income for the year				1,240			—
Attributable to:							
Owners of the parent				901			2,123
Non-controlling interests				339			229

Earnings per share – adjusted		2015 Pence		2015 Pence	2014 Pence		2014 Pence
Basic	12	109.2			82.7		
Diluted	12	107.3			80.5		
Earnings per share – total							
Basic	12			12.8			35.7
Diluted	12			12.6			34.7

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	2015 £000	2014 £000
ASSETS			
Non-current assets			
Goodwill	13	**10,927**	8,678
Other intangible assets	14	**9,088**	8,662
Property, plant and equipment	15	**4,787**	4,511
Deferred tax assets	16	**351**	—
		25,153	21,851
Current assets			
Inventories	17	**7,922**	6,296
Trade and other receivables	18	**11,040**	6,227
Cash and cash equivalents		**8,530**	11,148
		27,492	23,671
Total assets		**52,645**	45,522
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(10,807)**	(6,397)
Trade and other payables relating to acquisitions		**(85)**	(118)
Borrowings	20	**(3,361)**	(3,139)
Current tax liabilities		**(1,436)**	(992)
		(15,689)	(10,646)
Non-current liabilities			
Borrowings	20	**(9,556)**	(9,666)
Deferred tax liabilities	16	**(1,922)**	(1,820)
Retirement benefit obligations	28	**(1,394)**	—
		(12,872)	(11,486)
Total liabilities		**(28,561)**	(22,132)
Net assets		**24,084**	23,390
EQUITY			
Share capital	22	**305**	300
Share premium account		**14,441**	14,294
Other reserves	24	**2,004**	1,374
Retained earnings		**6,532**	6,910
Equity attributable to owners of the parent company		**23,282**	22,878
Non-controlling interests		**802**	512
Total equity		**24,084**	23,390

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

The financial statements were approved by the Board on 21 March 2016.

David Cicurel
Director

Brad Ormsby
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total attributable to owners of the parent £000	Non-controlling interests £000	Total equity £000
At 1 January 2015	**300**	**14,294**	**1,374**	**6,910**	**22,878**	**512**	**23,390**
Dividends	—	—	—	(1,385)	(1,385)	(49)	(1,434)
Issue of share capital	5	147	617	—	769	—	769
Share-based payments	—	—	—	119	119	—	119
Transactions with owners	**5**	**147**	**617**	**(1,266)**	**(497)**	**(49)**	**(546)**
Profit for the year	—	—	—	775	775	339	1,114
Retirement benefit actuarial gains	—	—	—	113	113	—	113
Foreign exchange differences	—	—	13	—	13	—	13
Total comprehensive income for the year	—	—	**13**	**888**	**901**	**339**	**1,240**
At 31 December 2015	**305**	**14,441**	**2,004**	**6,532**	**23,282**	**802**	**24,084**
At 1 January 2014	293	14,186	497	5,635	20,611	283	20,894
Dividends	—	—	—	(1,237)	(1,237)	—	(1,237)
Issue of share capital	7	108	876	—	991	—	991
Conversion and redemption of Convertible Redeemable shares	—	—	1	389	390	—	390
Transactions with owners	7	108	877	(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
At 31 December 2014	300	14,294	1,374	6,910	22,878	512	23,390

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

	2015 £000	2014 £000
Cash flows from operating activities		
Profit after tax	1,114	2,352
Adjustments for:		
Financial instruments measured at fair value		
Convertible Redeemable shares	—	(185)
Hedging contracts	10	(4)
Contingent consideration measured at fair value	25	16
Share-based payments	119	—
Depreciation	482	376
Amortisation of intangible assets	6,736	4,251
Loss/(profit) on disposal of property, plant and equipment	30	(5)
Foreign exchange gain on foreign currency loans	(15)	(34)
Interest income	(28)	(19)
Interest expense	523	577
Retirement benefit obligation net finance cost	60	—
Contributions to defined benefit plans	(198)	—
Tax expense recognised in income statement	138	25
Increase/(decrease) in inventories	617	(472)
(Increase)/decrease in trade and other receivables	(2,759)	320
Increase in trade and other payables	1,638	268
Cash generated from operations	8,492	7,466
Finance costs paid	(528)	(572)
Tax paid	(1,387)	(1,237)
Net cash from operating activities	6,577	5,657
Cash flows from investing activities		
Paid on acquisition of new subsidiary	(11,421)	(500)
Gross cash inherited on acquisition	3,904	—
Acquisition of subsidiaries, net of cash acquired	(7,517)	(500)
Paid on the acquisition of trade and certain assets	(33)	(37)
Purchase of property, plant and equipment	(530)	(187)
Interest received	28	19
Net cash used in investing activities	(8,052)	(705)
Cash flows from financing activities		
Proceeds from issue of share capital	150	113
Repayments of borrowings	(4,626)	(2,734)
Proceeds from bank loans	4,755	—
Equity dividends paid	(1,385)	(1,237)
Dividends paid – non-controlling interest in subsidiary	(49)	—
Net cash used in financing activities	(1,155)	(3,858)
Net change in cash and cash equivalents	(2,630)	1,094
Cash and cash equivalents at beginning of year	11,148	10,054
Exchange movements	12	—
Cash and cash equivalents at end of year	8,530	11,148

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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.

Judges Scientific plc is incorporated and domiciled on the UK and its registered office is 52c Borough High Street, London SE1 1XN.

2. Summary of significant accounting policies

Basis of preparation

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

Being quoted 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 2015. Following the acquisition of Armfield Limited on 22 January 2015, the Group now operates a defined benefit scheme. Further details on this scheme are included in note 28 and the new accounting policy is included within this note 2.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed under "Use of key accounting estimates and judgements".

Changes in accounting policies

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 including the following:

IFRS 9 'Financial Instruments' (2014) – (effective date 1 January 2018) – the new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss" model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

IFRS 15 'Revenues from Contracts with Customers' (change to IASB effective date 1 January 2018) – this new standard presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts' and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 16 'Leases' (effective date 1 January 2019) – this new standard will require the capitalisation of operating leases, such as the Group's building and vehicle leases, as right to use assets with an offsetting financial liability. The current rental charge will be replaced with a combination of depreciation from the asset and interest charge from the liability.

Management currently 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 and the Directors' are still assessing the potential impact of these standards on the Group's financial statements.

Consolidation

The consolidated financial statements include those of the parent company and its subsidiaries. Subsidiaries are entities where the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to effect those returns through its power over the subsidiary. 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.

The Group uses the purchase method of accounting for the acquisition of a subsidiary. Acquisition consideration is measured at the fair value of the consideration given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Business combination costs directly attributable to the acquisition are immediately written off through the Statement of Comprehensive Income. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income.

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, Scientifica Limited and Armfield Limited.

2. Summary of significant accounting policies continued

Goodwill

Goodwill is the difference between the fair value of the consideration paid and the fair value of the net identifiable assets and liabilities acquired in a business combination. Following recognition, it is not amortised; however, it is subject to impairment testing on an annual basis or more frequently if circumstances indicate that the asset may have become impaired and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Revenue recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group, excluding value added tax (or similar local sales tax). It is recognised when 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 associated economic benefits will flow to the Group.

Revenue from sales of instruments and spares is recognised at the point at which the risks and rewards of ownership are transferred to the customer. This is usually on despatch, however for sales from overseas subsidiaries, it is when the customer receives the goods.

Revenue from services, such as installation, support, training or consultancy, is recognised once the service has been performed.

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.

Segment reporting

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: Materials Sciences and Vacuum. No operating segments have been aggregated.

Operating segments are reported in a manner consistent with internal reporting provided to the Board of Directors, which is responsible for allocating and assessing performance of operating segments, and which is considered to be the Chief Operating Decision Maker. Each segments' range of instruments has its individual requirements in terms of design, manufacture and marketing.

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 Statement of Comprehensive Income. Amortisation 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.

Research and development

Research and development expenditure is recognised in the Statement of Comprehensive Income as an expense until it can be demonstrated that the conditions for capitalisation under IAS 38 'Intangible Assets' 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies continued

Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation.

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	50 years (excluding the estimated cost of land)
Plant and machinery	7 years
Fixtures, fittings and equipment	Between 3 and 7 years
Motor vehicles	4 years
Building improvements	Over the minimum term of the lease

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

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

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

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

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. 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 Statement of Comprehensive Income. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Leases

For finance leases, where the Group bears substantially all the risks and rewards related to ownership of the leased asset, the related asset is capitalised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Statement of Comprehensive Income over the period of the lease. Finance lease obligations are included in financial liabilities net of interest costs.

Operating leases where the lessor retains substantially all of the risks and rewards of ownership are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

Inventories

Inventories are recorded 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.

2. Summary of significant accounting policies continued

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.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its Directors and employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. The fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets).

Share-based compensation is recognised as an expense in the Statement of Comprehensive Income with a corresponding credit to other reserves. If vesting periods or other 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. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

Financial assets

Financial assets consist of loans, receivables, derivatives and investments in subsidiaries.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits which are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are recognised and carried at the original invoice amount less an allowance for uncollectable amounts. An estimate of uncollectable amounts is made when collection of the full amount is no longer probable. Uncollectable amounts are written off to the Statement of Comprehensive Income when identified.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies continued

Employee benefits – Defined contribution plans

The Group operates 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 contributions payable to these schemes are recorded in the Statement of Comprehensive Income in the accounting period to which they relate.

Employee benefits – Defined benefit plans

The Group operates a funded defined benefit scheme, where payments are made to trustee administered funds. The asset or liability recognised in the consolidated statement of financial position is calculated as the present value of the defined benefit obligation less the fair value of the plan assets, as at the balance sheet date.

The defined benefit obligation is calculated at least triennially by independent actuaries using the projected unit credit method and is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds, matched to the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. The plan administration expenses and past service costs or credits are recognised as an operating expense in the consolidated Statement of Comprehensive Income. There is no current service cost. The retirement benefits net finance cost is the change during the year in the net defined benefit liability due to the passage of time and is recognised as an interest expense in the consolidated Statement of Comprehensive Income. The interest rate is based on the yield on high quality corporate bonds. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in the consolidated Statement of Comprehensive Income in the year which they arise.

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 Statement of Comprehensive Income in the period in which they arise. In respect of overseas subsidiaries on consolidation, assets and liabilities have been translated at the closing rate and income and expenses have been translated at the average rate over the reporting period. Exchange differences are recorded in other comprehensive income.

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 period in which they are paid.

Equity

Equity comprises the following:

Share capital

Share capital represents the nominal value of equity shares.

Share premium

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

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

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

Retained earnings represents retained profits and losses.

Revaluation reserve

Revaluation reserve represents gains and losses due to the revaluation of certain financial assets.

Non-controlling interests

Non-controlling interests represent retained profits and losses attributable to minority shareholders in subsidiary companies.

2. Summary of significant accounting policies continued

Adjusting items

Adjusting items (and their related tax impact) are those which by their size or nature the Directors' consider need to be 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 underlying operating performance of the Group.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is likely that an outflow of resource will be required to settle the obligation and that the amount of the probable outflow can be reasonably estimated. Where the Group expects all or some of the obligation to be reimbursed, the reimbursement is recognised as a separate asset to the extent that it is virtually certain to be reimbursed. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the year-end date. If material, provisions are determined by discounting the expected future cash flows using rates that reflect current market assessments of the time value of money.

Use of key 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:

- Revenue recognition: The Group makes a judgement whether all of the conditions required for revenues to be recognised in the Statement of Comprehensive Income have been met;
- Fair value assessment of a business combination: Following an acquisition the Group makes an assessment of all assets and liabilities, inclusive of identification of intangible assets, acquired and related goodwill. The valuation process for the intangible assets requires a number of judgements to be made regarding future performance of an acquisition, together with other asset specific factors.

Sources of estimation uncertainty:

- Depreciation: Depreciation rates are based on estimates of the useful lives and residual values of the assets involved;
- Carrying value of intangible assets and goodwill: Estimates are required as to intangible asset carrying values, their useful lives and goodwill carrying value. 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;
- Provisions: Provisions are based on estimates of the expenditure required to settle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2015

3. Segmental analysis

For the year ended 31 December 2015	Note	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Revenue		28,347	27,856	—	56,203
Operating costs		(22,894)	(22,957)	(1,102)	(46,953)
Adjusted operating profit		5,453	4,899	(1,102)	9,250
Adjusting items	4				(7,503)
Operating profit					1,747
Net interest expense					(495)
Profit before tax					1,252
Income tax charge					(138)
Profit for the year					1,114

For the year ended 31 December 2014	Note	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Revenue		14,427	26,141	—	40,568
Operating costs		(11,224)	(21,501)	(830)	(33,555)
Adjusted operating profit		3,203	4,640	(830)	7,013
Adjusting items	4				(4,078)
Operating profit					2,935
Net interest expense					(558)
Profit before tax					2,377
Income tax charge					(25)
Profit for the year					2,352

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

Segment assets and liabilities

At 31 December 2015	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Assets	14,370	14,070	24,205	52,645
Liabilities	(6,562)	(7,026)	(14,973)	(28,561)
Net assets	7,808	7,044	9,232	24,084
Capital expenditure	117	202	211	530
Depreciation	185	233	64	482
Amortisation	4,246	2,490	—	6,736

At 31 December 2014	Materials Sciences £000	Vacuum £000	Unallocated items £000	Total £000
Assets	6,548	12,006	26,968	45,522
Liabilities	(4,892)	(5,819)	(11,421)	(22,132)
Net assets	1,656	6,187	15,547	23,390
Capital expenditure	14	177	(4)	187
Depreciation	76	243	57	376
Amortisation	1,641	2,610	—	4,251

Unallocated items are borrowings, intangible assets and goodwill arising on acquisition, deferred tax, defined benefit obligations and parent company net assets.

3. Segmental analysis continued

Geographic analysis	Year to 31 December 2015 £000	Year to 31 December 2014 £000
UK (domicile)	**9,303**	7,160
Rest of Europe	**13,822**	12,799
North America	**12,526**	8,235
Rest of the world	**20,552**	12,374
	56,203	40,568

Segmental revenue is presented on the basis of the destination of the goods where known, otherwise the geographical location of customers.

No customer makes up more than 10% of the Group's revenues.

4. Adjusting items

	2015 £000	2014 £000
Amortisation of intangible assets	**6,736**	4,251
Contingent consideration measured at fair value	**25**	16
Financial instruments measured at fair value:		
Hedging contracts	**10**	(4)
Convertible Redeemable shares	**—**	(185)
Share-based payments	**119**	—
Acquisition costs	**553**	—
Retirement benefits obligation net interest cost	**60**	—
Total adjusting items	**7,503**	4,078
Taxation	**(1,615)**	(1,175)
Total adjusting items net of tax	**5,888**	2,903
Attributable to:		
Owners of the parent	**5,839**	2,803
Non-controlling interest	**49**	100
	5,888	2,903

5. Operating costs

	2015 £000	2014 £000
Raw materials and consumables	**24,763**	17,548
Other external charges	**6,492**	4,806
Staff costs	**15,216**	10,825
Depreciation	**482**	376
Other operating costs, excluding adjusting items	**46,953**	33,555
Amortisation of intangible assets	**6,736**	4,251
Contingent consideration measured at fair value	**25**	16
Hedging contracts	**10**	(4)
Charge relating to derivative financial instruments	**—**	(185)
Share-based payments	**119**	—
Acquisition costs	**553**	—
Total operating costs	**54,396**	37,633

Research and development expensed in the year totalled £3,018,000 (2014: £1,629,000). This does not include amortisation of research and development intangibles arising on acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2015

6. Remuneration of key senior management

	2015 £000	2014 £000
Short-term employee benefits:		
Salaries including bonuses and social security costs	**1,706**	1,229
Company car allowance and other benefits	**73**	54
Total short-term employee benefits	**1,779**	1,283
Post-employment benefits:		
Defined contribution pension plans	**55**	48
Total post-employment benefits	**55**	48
	1,834	1,331

Key management personnel comprise Directors of the parent company and the managing directors of the principal operating companies and totalled 14 (2014: 12).

Remuneration of Directors is disclosed in the Directors' Report on page 17.

7. Employees

	2015 £000	2014 £000
Employment costs		
Wages and salaries	**13,326**	9,591
Social security costs	**1,370**	1,000
Pension costs	**520**	234
	15,216	10,825
Share-based payments	**119**	—
	15,335	10,825

Average number of employees

	2015 no.	2014 no.
By function		
Manufacturing	**115**	125
Sales and administration	**217**	145
	332	270
By operating segment		
Materials Sciences group	**154**	94
Vacuum group	**169**	168
Head office (includes Non-Executive Directors in both years)	**9**	8
	332	270

8. Operating profit

	2015 £000	2014 £000
Operating profit is stated after charging:		
Fees payable to the Company's auditor		
for the audit of the Company's annual accounts	**32**	23
Fees payable to the Company's auditor for other services:		
for the audit of the Company's subsidiaries, pursuant to legislation	**87**	70
for taxation compliance services	**27**	23
for taxation advisory services	**40**	8
for all other assurance services	**91**	12
Depreciation	**482**	376
Amortisation of intangible assets	**6,736**	4,251
Operating lease rentals – land and property	**543**	363
Operating lease rentals – vehicles	**37**	32
Operating lease rentals – other	**50**	6

9. Interest income and expense

	2015 £000	2014 £000
Interest income – short-term bank deposits	**28**	19
Interest expense – bank loans	**(523)**	(577)
Retirement benefits obligation net finance cost	**(60)**	—
	(583)	(577)
Net interest expense	**(555)**	(558)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2015

10. Taxation charge/(credit)

	2015 £000	2014 £000
UK corporation tax at 20.25% (2014: 21.5%)		
Current year	**1,576**	1,101
Prior years	**(98)**	(192)
	1,478	909
Deferred tax – origination and reversal of temporary differences:		
Current year	**(1,340)**	(890)
Prior years	**—**	6
	(1,340)	(884)
Tax on profit for the year – current year	**236**	211
Tax on profit for the year – prior years	**(98)**	(186)
	138	25
Factors affecting the tax charge for the year:		
Profit before tax	**1,252**	2,377
Profit before tax multiplied by standard rate of UK corporation tax of 20.25% (2014: 21.5%)	**254**	511
Exercise of share options	**(181)**	(255)
Provisions and expenditure not deductible for tax purposes	**136**	16
Derivative (credit)/charge	**—**	(59)
Contingent consideration	**5**	3
Overseas tax	**59**	—
Other temporary differences	**(37)**	(5)
Tax on profit for the year – current year	**236**	211
Tax on profit for the year – prior years	**(98)**	(186)
Total net taxation charge	**138**	25

11. Dividends

	2015		2014	
	Pence per share	£000	Pence per share	£000
Final dividend for the previous year	**14.7**	**892**	13.4	799
Interim dividend for the current year	**8.1**	**493**	7.3	438
	22.8	**1,385**	20.7	1,237

On 25 February 2016 the Company announced a second interim dividend of 15.9p per share, amounting to £996,000, for payment on 22 March 2016. The Directors will propose a final dividend of 1.0p per share, amounting to £61,000, for payment on 8 July 2016. As the interim dividend was approved post year-end and the final dividend remains conditional on shareholders' approval at the Annual General Meeting, provision has not been made for either dividend 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 £49,000 in the year (2014: £nil).

12. Earnings per share

	Note	2015 £000	2014 £000
Profit attributable to owners of the parent			
Adjusted profit		**6,614**	4,926
Adjusting items	4	**(5,839)**	(2,803)
Profit for the year		**775**	2,123
		Pence	Pence
Earnings per share – adjusted			
Basic		**109.2**	82.7
Diluted		**107.3**	80.5
Earnings per share – total			
Basic		**12.8**	35.7
Diluted		**12.6**	34.7
		Number	Number
Issued Ordinary shares at start of the year		**5,996,211**	5,862,270
Movement in Ordinary shares during the year	22	**102,338**	133,941
Issued Ordinary shares at end of the year		**6,098,549**	5,996,211
Weighted average number of shares in issue		**6,054,699**	5,952,952
Dilutive effect of share options		**109,140**	151,350
Dilutive effect of Convertible Redeemable shares		—	17,002
Weighted average shares in issue on a diluted basis		**6,163,839**	6,121,304

Adjusted basic earnings per share is calculated on the adjusted profit, which is presented before any adjusting items, attributable to the Company's shareholders divided by the weighted average number of shares in issue during the year.

Adjusted diluted earnings per share is calculated on the adjusted basic earnings per share, adjusted to allow for the issue of Ordinary shares on the assumed conversion of all dilutive options and any other dilutive potential Ordinary shares. The calculation is based on the treasury method prescribed in IAS 33. This calculates the theoretical number of shares that could be purchased at the average middle market price in the period out of the proceeds of the notional exercise of outstanding options. The difference between this theoretical number and the actual number of shares under option is deemed liable to be issued at nil value and represents the dilution.

Total earnings per share are calculated as above whilst substituting total profit for adjusted profit.

13. Goodwill

	2015 £000	2014 £000
Cost		
1 January	**8,678**	8,678
Addition	**2,249**	—
31 December	**10,927**	8,678

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 five years. These are derived from detailed budgets for the coming year, with subsequent years including revenue and cost growth of 3% per annum and maintained gross margins. The 3% long-term growth rate takes into account both UK and overseas markets. These cash flows are discounted using a weighted average cost of capital of 11.4% (2014: 11.3%) per annum, calculated by reference to year-end data on equity values and interest, dividend and tax rates. The long-term growth rate and discount rate is consistent for all segments on the basis that the businesses 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 2015 (2014: £nil).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2015

14. Other intangible assets

	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 2014 and 1 January 2015	1,949	4,438	2,276	7,348	6,425	22,933
Acquisitions	707	1,905	1,947	2,201	402	7,162
At 31 December 2015	**2,656**	**6,343**	**4,223**	**9,549**	**6,827**	**30,095**
Amortisation						
1 January 2014	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	1,387	2,239	2,276	3,147	4,725	14,271
Charge for the year	519	1,201	1,947	1,825	1,244	6,736
31 December 2015	**1,906**	**3,440**	**4,223**	**4,972**	**5,969**	**21,007**
Carrying amount 31 December 2015	**750**	**2,903**	**—**	**4,577**	**858**	**9,088**
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

15. Property, plant and equipment

	Plant and machinery £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Property and building improvements £000	Total £000
Cost					
1 January 2014	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
Additions	33	122	139	236	530
Acquisitions	52	39	165	—	256
Disposals	(77)	(8)	(56)	—	(141)
Exchange differences	2	1	2	—	5
31 December 2015	**771**	**985**	**422**	**4,394**	**6,572**
Accumulated depreciation					
1 January 2014	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
Charge	88	144	130	120	482
Disposals	(60)	(8)	(43)	—	(111)
Exchange differences	2	—	1	—	3
31 December 2015	**542**	**675**	**181**	**387**	**1,785**
Net book value – 31 December 2015	**229**	**310**	**241**	**4,007**	**4,787**
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 2015 is £2,661,000 (2014: £2,710,000) relating to a factory in Laughton, East Sussex, occupied by Quorum Technologies Limited and UHV Design Limited. The remaining contractual commitment under this project, not provided for in these financial statements, amounted to £36,000 at 31 December 2015 (2014: £36,000). The net book value of plant, machinery and vehicles included above held under finance leases and hire purchase contracts amounted to £46,000 at 31 December 2015 (2014: £48,000).

16. Deferred tax

	2015 £000	2014 £000
Assets		
At 1 January	—	—
Acquisition in year (note 27)	**404**	—
Movement in Other comprehensive income – Retirement benefits actuarial gain	**(63)**	—
Credit to income statement in the year	**10**	—
At 31 December	**351**	—
Deferred tax balances relate to temporary differences as follows:		
Provisions allowable for tax in subsequent periods	**72**	—
Defined benefit obligation	**279**	—
	351	—
Liabilities		
At 1 January	**1,820**	2,704
Acquisition in year (note 27)	**1,432**	—
Credit to income statement in the year	**(1,330)**	(884)
At 31 December	**1,922**	1,820
Deferred tax balances relate to temporary differences as follows:		
Accelerated capital allowances	**158**	94
Provisions allowable for tax in subsequent periods	**3**	6
Intangible assets	**1,761**	1,720
	1,922	1,820

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. The change in rate from 20% to 19%, effective from 1 April 2017, and from 19% to 18%, effective from 1 April 2020, were both substantively enacted on 26 October 2015.

17. Inventories

	2015 £000	2014 £000
Raw materials	**4,784**	4,331
Work in progress	**1,018**	895
Finished goods	**2,120**	1,070
	7,922	6,296

In 2015, a total of £24,763,000 of inventories was included in the Statement of Comprehensive Income as an expense (2014: £17,548,000). This includes an amount of £121,000 (2014: £95,000) resulting from write-downs of inventories and an amount of £4,000 (2014: £44,000) which is the reversal of previous write-downs. The carrying amount of inventories held at fair value less costs to sell is £834,000 (2014: £859,000). All Group inventories form part of the assets pledged as security in respect of bank loans.

18. Trade and other receivables – current

	2015 £000	2014 £000
Trade receivables	**9,445**	5,221
Other receivables	**702**	464
Prepayments and accrued income	**893**	542
	11,040	6,227

The fair value of receivables approximates to their carrying value. All trade and other receivables have been reviewed for impairment with no material provision being required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2015

18. Trade and other receivables – current continued

Some of the unimpaired trade receivables were past due at the balance sheet date as follows:

	2015 £000	2014 £000
Not more than three months	**3,561**	1,525
More than three months but not more than six months	**444**	71
More than six months but not more than twelve months	**237**	48
Greater than one year	**39**	44
	4,281	1,688

Trade and other receivables are denominated in the following currencies:

	2015 £000	2014 £000
Sterling	**7,457**	4,262
US Dollars	**2,722**	1,239
Euros	**861**	726
	11,040	6,227

19. Trade and other payables – current

	2015 £000	2014 £000
Trade payables	**5,403**	3,517
Social security and other taxes	**593**	496
Other payables	**785**	509
Accruals and deferred income	**4,026**	1,875
	10,807	6,397

The fair value of trade and other payables approximates to their carrying value.

20. Borrowings

	2015 £000	2014 £000
Current		
Bank loans	**2,845**	2,625
Subordinated loans	**497**	497
Net obligations under hire purchase contracts	**19**	17
	3,361	3,139
Non-current		
Bank loans	**9,545**	9,655
Net obligations under hire purchase contracts	**11**	11
	9,556	9,666

There are four bank loans secured on assets of the Group. 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. The hire purchase obligations are secured on the related assets.

The four bank loans are summarised as follows:

- The first loan of £8,948,000 (2014: £11,228,000) 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.

20. Borrowings continued

- The second loan of £2,755,000 is repayable by 2019 and bears interest at 1.75 to 2.75% (depending upon gearing) above LIBOR-related rates.
- The third loan of £540,000 (2014: £860,000) is repayable in quarterly instalments with a final payment in March 2016 and bears interest at 3.25% above LIBOR-related rates.
- The fourth loan of £147,000 (2014: £192,000) is repayable in quarterly instalments over the period ending 31 March 2019 and bears interest at 3.75% above LIBOR-related rates.

Borrowings mature as follows:

31 December 2015	Bank loans £000	Subordinated loan £000	Hire purchase £000	Total £000
Repayable in less than six months	**1,833**	**497**	**13**	**2,343**
Repayable in months seven to twelve	**1,273**	**—**	**6**	**1,279**
Current portion of long-term borrowings	**3,106**	**497**	**19**	**3,622**
Repayable in years one to five	**9,981**	**—**	**11**	**9,992**
Total borrowings	**13,087**	**497**	**30**	**13,614**
Less: interest included above	**697**	**—**	**—**	**697**
Less: cash and cash equivalents	**8,530**	**—**	**—**	**8,530**
Total net debt	**3,860**	**497**	**30**	**4,387**
Adjusting items				
Subordinated debt to non controlling shareholders				**(497)**
Accrued deferred consideration				**85**
Adjusted net debt				**3,975**

31 December 2014	Bank loans £000	Subordinated loan £000	Hire purchase £000	Total £000
Repayable in less than six months	1,456	497	8	1,961
Repayable in months seven to twelve	1,441	—	9	1,450
Current portion of long-term borrowings	2,897	497	17	3,411
Repayable in years one to five	10,101	—	11	10,112
Total borrowings	12,998	497	28	13,523
Less: interest included above	718	—	—	718
Less: cash and cash equivalents	11,148	—	—	11,148
Total net debt	1,132	497	28	1,657
Adjusting items				
Subordinated debt to non controlling shareholders				(497)
Accrued deferred consideration				118
Adjusted net debt				1,278

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 2015 of loans denominated in Euros was £1,050,000 (2014: £466,000). These amounts are included in the figures above for bank loans, repayable in years one to five.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2015

21. Financial instruments

The Group's policies on treasury management, capital management objectives and financial instruments are given in the Directors' Report on pages 14 and 15.

Fair value of financial instruments

Financial instruments include the borrowings set out in note 20. 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 Statement of Comprehensive Income in the periods in which the changes arise. Such recognition is treated as an adjusting item in the Statement of Comprehensive Income 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 adjusting items in the accounting period for which the hedge was intended and will be shown in results before adjusting 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 has a revolving acquisition facility of £10 million. At 31 December 2015 the Group had drawn £2,755,000 (2014: £nil).

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.

21. Financial instruments continued

Summary of financial assets and financial liabilities by category	2015 £000	2014 £000
Financial assets		
Trade and other receivables	**10,147**	5,685
Cash and cash equivalents	**8,530**	11,148
Total financial assets	**18,677**	16,833
Financial liabilities – amortised cost		
Trade payables	**5,403**	3,517
Accruals and deferred income	**4,026**	1,875
Other payables	**785**	509
Trade and other payables relating to acquisitions	**85**	118
Current portion of long-term borrowings	**3,361**	3,139
Long-term borrowings	**9,556**	9,666
Total financial liabilities	**23,216**	18,824
Net financial liabilities	**4,539**	1,991
Non financial assets and liabilities not within the scope of IAS 39		
Goodwill	**10,927**	8,678
Other intangible assets	**9,088**	8,662
Property, plant and equipment	**4,787**	4,511
Inventories	**7,922**	6,296
Prepayments and accrued income	**893**	542
Social security and other taxes	**(593)**	(496)
Retirement benefit obligations	**(1,394)**	—
Current tax payable	**(1,436)**	(992)
Deferred tax assets	**351**	—
Deferred tax liabilities	**(1,922)**	(1,820)
	28,623	25,381
Total equity	**24,084**	23,390

Financial assets

The Group's financial assets (which are summarised in note 21) comprise cash and cash equivalents and trade and other receivables.

- The amounts derived from these assets and included as interest income in the Statement of Comprehensive Income are £28,000 (2014: £19,000) (see note 9).
- Cash and cash equivalents are principally denominated in Sterling and earn interest at floating rates.

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 Statement of Comprehensive Income amounted to £523,000 (2014: £577,000) (see note 9).
- A proportion of the bank loans are denominated in foreign currencies to provide a hedge against currency risk on Group assets (see note 20). Foreign exchange gains attributable to bank loans and included as operating income in the Statement of Comprehensive Income amounted to £15,000 (2014: £34,000).

Financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

FOR THE YEAR ENDED 31 DECEMBER 2015

22. Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid – Ordinary shares of 5p each		
1 January: 5,996,211 shares (2014: 5,862,270)	**300**	293
Issue of 42,372 Ordinary shares as part of the deferred consideration due upon the acquisition of Scientifica Limited	**—**	2
Issue of 36,738 Ordinary shares as part of the deferred consideration due upon the acquisition of Armfield Limited	**2**	—
Exercise of share options: 65,600 shares (2014: 61,600)	**3**	3
Conversion of Convertible Redeemable shares: 29,969 Ordinary shares	**—**	2
31 December: 6,098,549 shares (2014: 5,996,211)	**305**	300

Allotments of Ordinary shares in 2015 were made:

- by way of the issue of 36,738 Ordinary shares on 22 May, when the share price was 1720.0p, to satisfy the deferred consideration due following the acquisition of Armfield Limited in January 2015; and
- to satisfy the exercise of 65,600 share options in aggregate on fourteen occasions during the year when the share price was within the range of 1400.0p to 1887.5p (2014: the exercise of 61,600 share options when the share price was within the range 1530.0p to 2375.0p).

Throughout 2015, 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 2015, an average of 71 employees participated in the scheme each month (2014: 63 employees), purchasing 7,960 shares in total, including matching shares (2014: 6,762 shares).

The market price of the Company's Ordinary shares at 31 December 2015 was 1525.0p. The share price range during the year was 1340.0p to 1912.5p.

23. Share-based payments

Equity share options

On 21 October 2015, the Board approved two new share option plans, one approved and one unapproved to replace the two existing schemes that recently lapsed. The original share option schemes, implemented in 2005, no longer allow share option issues, however any existing options already issued under those schemes remain valid until their maturity dates. The new 2015 option schemes are materially equivalent in nature to the lapsed schemes.

At 31 December 2015, options had been granted and remained outstanding in respect of 256,176 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 three-year vesting period, between the third and tenth anniversaries of grant, as below:

	At 1 January 2015 Number	Granted Number	Lapsed Number	Exercised Number	At 31 December 2015 Number	Of which exercisable Number	Weighted average exercise price (p)
2005 Approved Option Scheme	88,904	13,958	(2,650)	(31,000)	69,212	35,079	457.6
2005 Unapproved Option Scheme	91,350	57,914	—	(34,600)	114,664	56,050	189.6
2015 Approved Option Scheme	—	37,747	—	—	37,747	—	—
2015 Unapproved Option Scheme	—	34,553	—	—	34,553	—	—
	180,254	**144,172**	**(2,650)**	**(65,600)**	**256,176**	**91,129**	

2005 option scheme

Exercise prices for the year ended 31 December 2015 ranged between 92.0p and 720.0p per share (2014: between 92.0p and 2317.5p per share), with a weighted average remaining contractual life of 6.42 years (2014: 4.98 years).

2015 option scheme

No options were exercised in the year ended 31 December 2015. The weighted average remaining contractual life is 9.80 years.

In accordance with IFRS 2, a Black Scholes valuation model has been used. The key assumptions used in the model are as follows:

- interest rate – 1.6%;
- volatility – 30.2%;
- dividend yield – 1.7%; and
- expected life of option – 3.0 years.

The charge for the year ended 31 December 2015 was £119,000 (2014: £nil).

24. Other reserves

	Capital redemption reserve £000	Merger reserve £000	Translation reserve £000	Total £000
Balance at 1 January 2015	**23**	**1,351**	**—**	**1,374**
Issue of share capital	—	**617**	—	**617**
Transactions with owners	—	**617**	—	**617**
Exchange differences on translation of foreign subsidiaries	—	—	**13**	**13**
Total comprehensive income	—	—	**13**	**13**
Balance at 31 December 2015	**23**	**1,968**	**13**	**2,004**

The movement on the merger reserve arises from the issue of 36,738 shares as part of the acquisition costs of Armfield.

	Capital redemption reserve £000	Merger reserve £000	Translation reserve £000	Total £000
Balance at 1 January 2014	22	475	—	497
Issue of share capital	—	876	—	876
Arising on conversion and redemption of Convertible Redeemable shares	1	—	—	1
Transactions with owners	1	876	—	877
Balance at 31 December 2014	23	1,351	—	1,374

25. 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 Directors.

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 measurement date.

31 December 2015	Sterling equivalent of US$ £000	Sterling equivalent of € £000
Amount of foreign currency hedged at year end	**3,900**	**2,650**
Residual exposure at year end – long/(short)	**2,497**	**(311)**
Impact on pre-tax profits of a 5% variation in exchange rate on year-end residual exposure	**125**	**16**
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	**100**	**13**

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

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25. Risk management objectives and policies continued

Foreign currency sensitivity continued

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 2015 by entering into currency forward contracts and options to sell €4.4 million and $10.6 million during 2016, at predetermined exchange rates.

The fair value of these financial instruments is an asset of £56,000 (2014: £101,000), offset by a fair value liability of £39,000 (2014: £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 predetermined 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:

	2015 £000	2014 £000
Unhedged bank loans outstanding at year end	**5,505**	2,270
Impact on pre-tax profits of a 1% change in LIBOR	**55**	23
Impact on equity of a 1% change in LIBOR	**44**	18
Surplus funds at year end	**8,530**	11,148
Impact on pre-tax profits of a 1% change in bank base rates	**85**	111
Impact on equity of a 1% change in bank base rates	**68**	87

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:

	2015 £000	2014 £000
Cash and cash equivalents	**8,530**	11,148
Trade and other receivables	**10,147**	5,685
	18,677	16,833

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 2015, no counterparty owed more than 10% of the Group's total trade and other receivables (2014: 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 £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 20. The maturity of all trade and other payables is within the period of less than six months.

26. Operating lease commitments

	2015 £000	2014 £000
Minimum operating lease commitments falling due:		
Within one year – land and property	492	328
Within one year – vehicles	35	29
Within one year – other	52	39
	579	396
Between one and five years – land and property	1,068	354
Between one and five years – vehicles	49	36
Between one and five years – other	22	56
	1,139	446
Greater than five years – land and property	180	—
Total commitment	1,898	842

27. Acquisition of Armfield Limited

On 22 January 2015 the Company acquired the entire issued share capital of Armfield Limited ("Armfield"), a company based in Hampshire, UK, and New Jersey, USA, 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.

The fair value of the cost of acquisition includes the components stated below.

Consideration	£000
Initial cash consideration	8,280
Deferred consideration paid in cash	755
Deferred consideration settled by the issue of 36,738 Ordinary shares	593
	9,628
Gross cash inherited on acquisition	3,904
Cash retained in the business	(1,518)
Payment in respect of surplus working capital	2,386
Total consideration	12,014
Acquisition-related transaction costs charged to the income statement	553

Deferred consideration consisted of an earn-out of a maximum of £1.51 million relating to Armfield's 2014 financial results which was payable 50% in cash (£755,000) and 50% in new Ordinary shares of the Company at an issue price of 2,055p per share (the prevailing price of Judges' Ordinary shares on the day the headline terms of the acquisition were agreed). The initial fair value of the deferred consideration payable in Ordinary shares was based on the closing mid-market price on 22 January 2015 of 1,615p per Ordinary share which totalled £593,000. The deferred consideration was settled in May 2015 in full and 36,738 new Ordinary shares were issued. The closing mid-market price of 1,682.5p per Ordinary share on 21 May 2015 valued the earn-out shares at £618,000, and hence a charge of £25,000 was recorded in the Statement of Comprehensive Income.

There is a further contingent payment of £360,000 which 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 fair value of this consideration has been recorded at £nil as the Directors consider that it is unlikely that the Company will be required to settle this potential payment. The defined benefit scheme closed to new members with effect from 2001 and closed to new accrual in 2006. Further information on this pension scheme is disclosed later in this note and also in note 28.

The consideration and associated transaction costs were financed from existing cash resources and £4.8 million drawn down from the Group's existing £10 million acquisition loan facility.

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27. Acquisition of Armfield Limited continued

The fair values recognised for the assets and liabilities acquired are as follows:

	Book value £000	Fair value adjustments £000	Fair value £000
Property, plant and equipment	256	—	256
Intangible assets	—	7,162	7,162
Deferred tax assets	342	62	404
Inventories	2,289	(46)	2,243
Trade and other receivables	2,120	(57)	2,063
Cash and cash equivalents	3,904	—	3,904
Total assets	8,911	7,121	16,032
Deferred tax liabilities	—	(1,432)	(1,432)
Trade payables	(2,562)	(210)	(2,772)
Current tax liability	(355)	—	(355)
Retirement benefit obligations	(1,708)	—	(1,708)
Total liabilities	(4,625)	(1,642)	(6,267)
Net identifiable assets and liabilities	4,286	5,479	9,765
Total consideration			12,014
Goodwill recognised			2,249

Management performed a detailed review of the acquiree's intangible assets. The intangible assets recognised reflect recognition of acquired customer relationships, the value of the acquired future committed order book, internally generated technology, trademarks, domain names and distributor relationships. A significant amount of the value of the acquired business is attributable to its workforce and sales knowhow. As no assets can be recognised in respect of these factors, they contribute to the goodwill recognised upon acquisition.

Other fair value adjustments reflect specific inventory and trade receivable provisions and accruals and their related deferred tax assets. The deferred tax liability recognised represents the tax effect which will result from the amortisation of the intangible assets, estimated using the tax rate substantively enacted at the balance sheet date and the fair value of the assets.

Defined benefit obligations

Armfield operates a defined benefit scheme for certain of its employees. The latest full actuarial valuation was carried out as at 31 March 2014 and the retirement benefit liability was independently revalued as at 31 December 2014. No fair value adjustment was made to this valuation due to the short time elapsed between the valuation date and the acquisition date, on the grounds of materiality. Full details of the defined benefit obligations have been disclosed as the comparative figures in note 28 as at 31 December 2014.

28. Retirement benefit obligations

Defined benefit obligations

The Group's subsidiary, Armfield Limited, which was acquired on 21 January 2015, operates a defined benefit scheme for certain of its employees. The latest full actuarial valuation was carried out as at 31 March 2014 and the retirement benefit liability was independently revalued as at 31 December 2014.

The scheme has been closed to new members from 2001 and closed to new accrual in 2006. The average duration of the plan's liabilities has been calculated to be approximately 19 years. The trustees are drawn partly from Armfield's employees and also from nominees of the Judges group.

The full actuarial valuation carried out as at 31 March 2014 was in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between Armfield and the pension trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions. It was agreed with the trustees that contributions be increased to £198,000 per annum to eliminate the deficit over a period of six years. The next full actuarial valuation will be carried out no later than 31 March 2017. The asset investment strategy is the responsibility of the trustees.

28. Retirement benefit obligations continued

Summary	31 December 2015 £000	31 December 2014 £000
Fair value of plan assets	5,405	5,286
Present value of defined benefit obligation	(6,799)	(6,994)
Deficit in scheme	(1,394)	(1,708)
Deferred tax	279	342
Net retirement benefit obligation	(1,115)	(1,366)

Changes in the fair value of plan assets	31 December 2015 £000	31 December 2014 £000
At 1 January	5,286	4,908
Interest income	190	225
Return on plan assets (excluding amounts in interest income)	(150)	165
Contributions by the Company	198	126
Benefits paid	(119)	(138)
At 31 December	5,405	5,286

The actual return on plan assets for the year ending 31 December 2015 was £40,000 (2014: £390,000).

Changes in the fair value of defined benefit pension obligations	31 December 2015 £000	31 December 2014 £000
At 1 January	6,994	6,104
Current service cost	—	—
Expenses	—	3
Interest expense	250	278
Actuarial gains due to scheme experience	—	(374)
Actuarial gains due to changes in demographic assumptions	—	(69)
Actuarial (gains)/losses due to financial assumptions	(326)	1,190
Benefits paid	(119)	(138)
At 31 December	6,799	6,994

There were no plan amendments, curtailments or settlements in above years.

Major categories of plan assets	31 December 2015 £000	31 December 2014 £000
Quoted equities	1,893	1,874
Bonds	2,898	2,914
Property	438	398
Cash and other assets	176	100
	5,405	5,286

Principal actuarial assumptions	31 December 2015 %	31 December 2014 %
Discount rate	3.90	3.60
Inflation rate	3.20	3.10
In payment pension increases	3.40	3.30
In deferment pension increases	5.00	5.00

The mortality assumptions used in valuing the liabilities of the plan are based 100% on the standard tables S2PxA, projected using the CMI 2013 model with a 1.00% per annum long-term rate of improvement.

28. Retirement benefit obligations continued

The life expectancies assumed are as follows:

	Life expectancy at age 65 (years)
Male retiring in 2015	22.1
Female retiring in 2015	24.1
Male retiring in 2035	23.5
Female retiring in 2035	25.6

Sensitivity

The significant actuarial assumptions in determining the defined benefit obligation are the discount rate, the rate of mortality and rate of inflation. Changes to these actuarial assumptions may impact this obligation as follows:

	Change in liabilities £000
Discount rate – decrease by 0.25% per annum	299
Inflation rate – increase of 0.25% per annum	95
Mortality rate – increase of one year in life expectancy	204

The above shows the impact on the defined benefit obligation if the assumptions were changed as shown (assuming all other assumptions remain constant). The sensitivity analysis may not be representative of the actual change in the obligation as it is unlikely that any change in assumption would happen in isolation.

Risk management

There is a risk that changes in discount rates, price inflation, asset returns and/or mortality assumptions could lead to a materially greater deficit. Given the long-term time horizon of the pension plan cash flows, the assumptions used are uncertain. The assumptions can also be volatile from year to year due to changes in investment market conditions. A higher pension deficit could directly impact the Group's equity valuation, credit rating and may lead to additional funding requirements in future years. Any deficit relative to the actuarial liability for funding purposes, which may differ from the funding position on an accounting basis, will generally be financed over a period that ensures the contributions are reasonably affordable to the Group and in line with local regulations.

29. Post balance sheet event – acquisition of CoolLED Limited

On 18 February 2016, the Company acquired 100% of the issued share capital of CoolLED Limited ("CoolLED"), an instrument maker based in Andover, Hampshire (the "Acquisition"). CoolLED designs, manufactures and markets illumination systems for fluorescence microscopy.

CoolLED's audited accounts for the financial year to 30 June 2015 show revenues of £2.5 million and pre-tax profits of £0.5 million. Net tangible assets amounted to £1.12 million, including cash of £0.55 million.

Operating profit for the twelve months ended 30 September 2015, adjusted to eliminate non-recurring items and to reflect CoolLED's ongoing cost base within the Group, would have totalled £0.75 million from revenues of £2.8 million.

CooLED was acquired for an initial cash consideration of £3.5 million plus estimated transaction costs of £0.3 million and an earn-out capped at £1.0 million ("Earn-out"). The Earn-out will be payable subject to CoolLED generating adjusted operating profits of over £1.0 million in respect of the year to 30 June 2016, reducing by £4.50 for each £1 shortfall below £1.0 million.

An additional payment will be made to reflect any excess working capital over and above the ongoing requirements of the business. The Board expects such payment to be covered by the cash inherited at the completion date.

The Acquisition and associated transaction costs are being financed from Judges' existing cash resources and an additional £3.5 million drawn down from the Group's £10.0 million acquisition facility granted in 2014 by 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Judges Scientific plc

We have audited the parent company financial statements of Judges Scientific plc for the year ended 31 December 2015, which comprise the balance sheet, statement of changes in equity and the related notes. 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), including FRS 101 'Reduced Disclosure Framework'.

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 2015;
- 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 Strategic Report and 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 2015.

Philip Sayers
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
21 March 2016

PARENT COMPANY BALANCE SHEET

As at 31 December 2015

	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	3	**3,403**	3,256
Investments in subsidiaries	4	**27,936**	16,537
		31,339	19,793
Current assets			
Debtors	5	**16,421**	15,827
Cash in hand and at bank		**428**	6,245
		16,849	22,072
Creditors: amounts falling due within one year	6	**(3,542)**	(2,630)
Net current assets		**13,307**	19,442
Total assets less current liabilities		**44,646**	39,235
Creditors: amounts falling due after more than one year	7	**(9,443)**	(8,968)
Deferred tax liability	8	**(110)**	(56)
Total net assets		**35,093**	30,211
Capital and reserves			
Called up share capital	9	**305**	300
Share premium		**14,441**	14,294
Capital redemption reserve		**23**	23
Profit and loss account		**20,324**	15,594
Shareholders' funds		**35,093**	30,211

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 21 March 2016.

David Cicurel
Director

Brad Ormsby
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
At 1 January 2015	**300**	**14,294**	**23**	**15,594**	**30,211**
Dividends	—	—	—	(1,385)	(1,385)
Issue of share capital	5	147	—	—	152
Share-based payments	—	—	—	119	119
Transactions with owners	**5**	**147**	**—**	**(1,266)**	**(1,114)**
Profit for the year	—	—	—	5,996	5,996
Total comprehensive income for the year	**—**	**—**	**—**	**5,996**	**5,996**
At 31 December 2015	**305**	**14,441**	**23**	**20,324**	**35,093**
At 1 January 2014	293	14,186	22	11,858	26,359
Dividends	—	—	—	(1,237)	(1,237)
Issue of share capital	7	108	—	—	115
Conversion and redemption of Convertible Redeemable shares	—	—	1	—	1
Transactions with owners	7	108	1	(1,237)	(1,121)
Profit for the year	—	—	—	4,973	4,973
Total comprehensive income for the year	—	—	—	4,973	4,973
At 31 December 2014	300	14,294	23	15,594	30,211

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. Statement of compliance

The financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'. The Company has elected to adopt the standard for the year ended 31 December 2015 for the first time.

2. Summary of significant accounting policies

Basis of preparation

These financial statements are the first financial statements in which the Company had adopted FRS 101 'Reduced Disclosure Framework'. The Company meets the definition of a qualifying entity under FRS 101. Accordingly, in the year ended 31 December 2015 the Company has undergone transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 as issued by the Financial Reporting Council.

As permitted by FRS 101, for both periods presented, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, share-based payments, fair value measurements, comparative reconciliations for tangible and intangible assets, standards not yet effective, related party transactions with other wholly owned members of the Group and key management personnel compensation. Equivalent disclosures are, where required, given in the Group accounts of Judges Scientific plc. The Group accounts of Judges Scientific plc are available to the public.

The financial statements have been prepared on the historical cost basis.

Use of key accounting estimates and judgements

Many of the amounts included in the 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 financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements and the key areas are summarised below.

Sources of estimation uncertainty

- Depreciation rates are based on estimates of the useful lives and residual values of the assets involved.

Tangible fixed assets

Tangible fixed assets are stated at historical cost, less accumulated depreciation.

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	50 years (excluding the estimated cost of land)
Leasehold improvements	Over the minimum term of the lease
Fixtures, fittings and equipment	Between three and seven years

Investments

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

Taxation

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

Deferred 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.

Employee benefits – Defined contribution plans

The Company operates 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 contributions payable to these schemes are recorded in the Statement of Comprehensive Income in the accounting period to which they relate.

2. Summary of significant accounting policies continued

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its Directors and employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. The fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets).

Share-based compensation is recognised as an expense in the Statement of Comprehensive Income with a corresponding credit to other reserves. If vesting periods or other 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. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

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.

3. Tangible assets

	Property and leasehold improvements £000	Fixtures, fittings and equipment £000	Total £000
Cost			
1 January 2015	3,374	—	3,374
Additions	191	20	211
31 December 2015	**3,565**	**20**	**3,585**
Depreciation			
1 January 2015	118	—	118
Charge	62	2	64
31 December 2015	180	2	182
Net book value – 31 December 2015	**3,385**	**18**	**3,403**
Net book value – 31 December 2014	3,256	—	3,256

4. Investments in subsidiaries

	2015 £000	2014 £000
Cost		
1 January	**16,537**	16,535
Addition	**11,399**	2
31 December	**27,936**	16,537

The addition in the year relates to the acquisition of Armfield Limited.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

For the year ended 31 December 2015

4. Investments in subsidiaries continued

The Company's subsidiaries at 31 December 2015, all of which are incorporated and domiciled in the United Kingdom, are 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%
Bordeaux Acquisition Limited	Holding company	Ordinary £1	100%
Armfield Limited	Design and supply of research and training equipment	Ordinary £1	100%
Armfield Technical Education Limited*	Dormant	Ordinary £1	100%
Judges Capital Limited	Holding company	Ordinary £1	100%
EM Technologies Limited*	Dormant	Ordinary £1	100%
FTT Scientific Limited*	Dormant	Ordinary £100	100%
GDS Instruments Limited*	Dormant	Ordinary £1	100%
Polaron Instruments Limited*	Dormant	Ordinary £1	100%
Stanton Redcroft Limited*	Dormant	Ordinary £1	100%

* Indirectly held.

5. Debtors

	2015 £000	2014 £000
Amounts owed by Group companies	**15,890**	15,552
Prepayments and accrued income	**531**	275
	16,421	15,827

Included in amounts owed by Group companies are:

- the sum of £13,896,000 (2014: £13,846,000) which is repayable on demand at any time after 30 June 2017 provided that all liabilities to third parties falling due on or before that date have been met. These loans are unsecured and bear interest at the rate of 7.5% per annum; 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 2015 (2014: £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 one year.

6. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Current portion of bank loans	**2,260**	2,260
Trade and other payables	**126**	71
Amounts owed to Group companies	**300**	—
Corporation tax	**315**	49
Social security and other taxes	**168**	155
Other creditors	**42**	11
Accruals and deferred income	**331**	84
	3,542	2,630

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

	2015 £000	2014 £000
Bank loans	**9,443**	8,968

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 one year	2,482
Repayable in years one to five	9,874
	12,356
Less: interest included above	(653)
	11,703

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 2015 of loans denominated in Euros was £1,050,000 (2014: £466,000). These amounts are included in the figures above for bank loans, repayable in years one to five.

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 fair value of these financial instruments is an asset of £56,000 (2014: £101,000), offset by a fair value liability of £39,000 (2014: £73,000) on interest rate swaps. These transactions have been recognised in these accounts and are held within prepayments and accrued income.

The parent company guarantees bank loans advanced to its 51% owned subsidiary Bordeaux Acquisition Limited amounting in aggregate at 31 December 2015 to £687,000 (2014: £1,052,000).

8. Deferred tax liability

	2015 £000
1 January	**56**
Charge	**54**
31 December	**110**

Deferred tax is recorded at a rate of 20% and relates to accelerated capital allowances.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS continued

For the year ended 31 December 2015

9. Share capital and share-based payments

Details relating to the parent company's share capital are set out in note 22 to the consolidated financial statements.

10. Related party transactions

The Company is exempt under the terms of FRS 101.8 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 2015 (2014: £517,000). There are no interest or repayment terms to these advances.

Dividends paid in the year to Directors who hold shares amounted to £260,000 in aggregate (2014: £234,000).

11. Directors and employees

	2015 £000	2014 £000
Staff costs (including Directors)		
Wages and salaries	**798**	612
Social security costs	**100**	75
Other pension costs	**15**	10
	913	697
Total Directors' emoluments		
Emoluments	**701**	540
Defined contribution pension scheme contributions	**12**	6
	713	546
Emoluments of the highest paid Director		
Emoluments	**204**	162

During the year, two Directors participated in a defined contribution pension scheme (2014: one).

	2015 Number	2014 Number
Average number of persons employed		
Directors	**7**	6
Administrative staff	**2**	2
Total	**9**	8

12. First time adoption of FRS 101

The policies applied under the Company's previous accounting framework are not materially different to FRS 101 and the adoption of the new framework has not impacted on equity or profit or loss, other than in relation to derivatives. Under FRS 101 derivatives are required to be recognised on balance sheet and as further detailed in note 7 an asset of £17,000 (2014: £28,000, 2013: £nil) has been recognised along with the charge to profit and loss of £11,000 (2014: credit of £28,000).

13. Post balance sheet event – acquisition of CoolLED Limited

On 18 February 2016, the Company acquired 100% of the issued share capital of CoolLED Limited ("CoolLED"), an instrument maker based in Andover, Hampshire (the "Acquisition"). CoolLED designs, manufactures and markets illumination systems for fluorescence microscopy.

CoolLED's audited accounts for the financial year to 30 June 2015 show revenues of £2.5 million and pre-tax profits of £0.5 million. Net tangible assets amounted to £1.12 million, including cash of £0.55 million.

Operating profit for the twelve months ended 30 September 2015, adjusted to eliminate non-recurring items and to reflect CoolLED's ongoing cost base within the Group, would have totalled £0.75 million from revenues of £2.8 million.

CooLED was acquired for an initial cash consideration of £3.5 million plus estimated transaction costs of £0.3 million and an earn-out capped at £1.0 million ("Earn-out"). The Earn-out will be payable subject to CoolLED generating adjusted operating profits of over £1.0 million in respect of the year to 30 June 2016, reducing by £4.50 for each £1 shortfall below £1.0 million.

An additional payment will be made to reflect any excess working capital over and above the ongoing requirements of the business. The Board expects such payment to be covered by the cash inherited at the completion date.

The Acquisition and associated transaction costs are being financed from Judges' existing cash resources and an additional £3.5 million drawn down from the Group's £10.0 million acquisition facility granted in 2014 by 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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirteenth Annual General Meeting of Judges Scientific plc (the "Company") will be held at The Lansdowne Club, 9 Fitzmaurice Place, London W1J 5JD on Wednesday 25 May 2016 at 12.00 noon for the purpose of dealing with the following business, of which items 6, 7 and 8 are special business.

Ordinary business

1. To receive and, if approved, adopt the audited financial statements of the Company for the year ended 31 December 2015 and the reports of the Directors and auditor thereon.
2. To re-appoint Ralph Elman, who retires by rotation, as a Director.
3. To re-appoint Ralph Cohen, who retires by rotation, as a Director.
4. To approve a final dividend of 1.0 pence per Ordinary share.
5. To re-appoint Grant Thornton UK LLP as auditor to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company and to authorise the Directors to fix the remuneration of the auditor for the year ending 31 December 2016.

Special business

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

Ordinary resolution

6. That the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £101,632 provided that this authority unless renewed shall expire at the close of the next Annual General Meeting of the Company, save that the Company may before such expiry make any offer, agreement or other arrangement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Directors of the Company may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer, agreement or other arrangement as if the authority conferred hereby had not expired, this authority to replace any previous authority which is hereby revoked with immediate effect.

Special resolutions

7. That:

(a) subject to and conditional upon the passing of resolution 6 above, the Directors of the Company be and they are hereby empowered pursuant to section 570 of the Act to allot equity securities (as defined for the purposes of section 560 of the Act) for cash, pursuant to the authority granted by resolution 6 above, as if section 561(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 £30,493,

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.

Special resolutions continued

8. That the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares of 5 pence each in the capital of the Company on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:
   (a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 609,855 (representing approximately 10% of the Company's issued share capital at 31 December 2015);
   (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 5% 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 2017 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
Company Secretary

2 May 2016

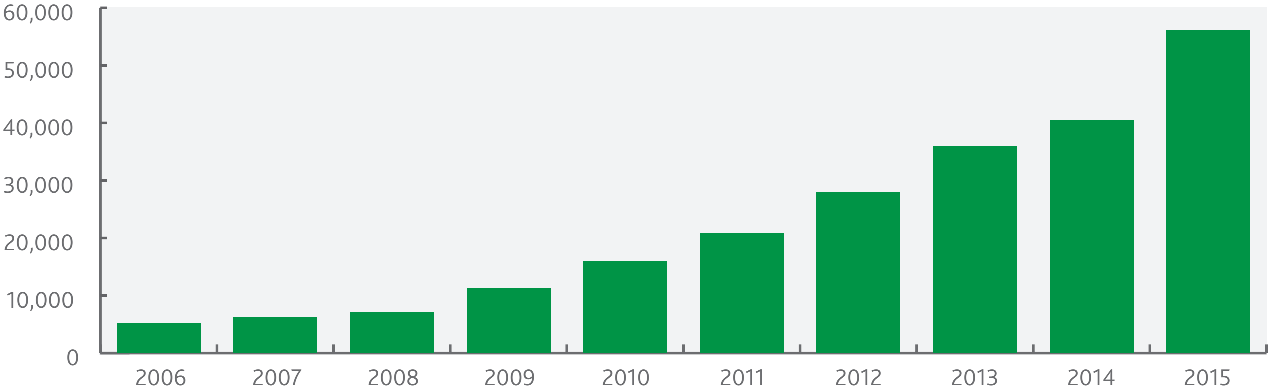
Registered Office:
52c Borough High Street
London
SE1 1XN

Notes:

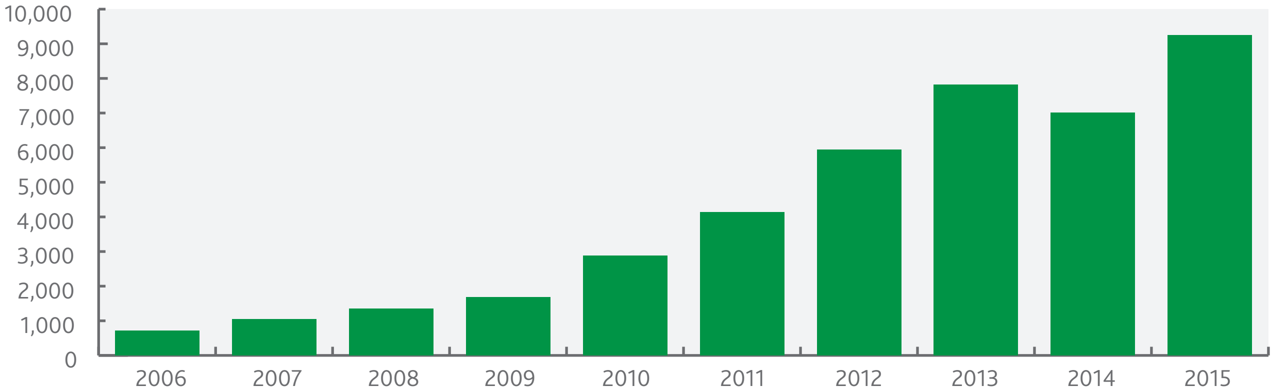
1. A member entitled to attend, speak and vote at the meeting convened by the Notice set out above is entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. A proxy need not be a member of the Company. A Form of Proxy 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 12.00 noon on 23 May 2016 (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.

10 YEAR FINANCIAL HISTORY

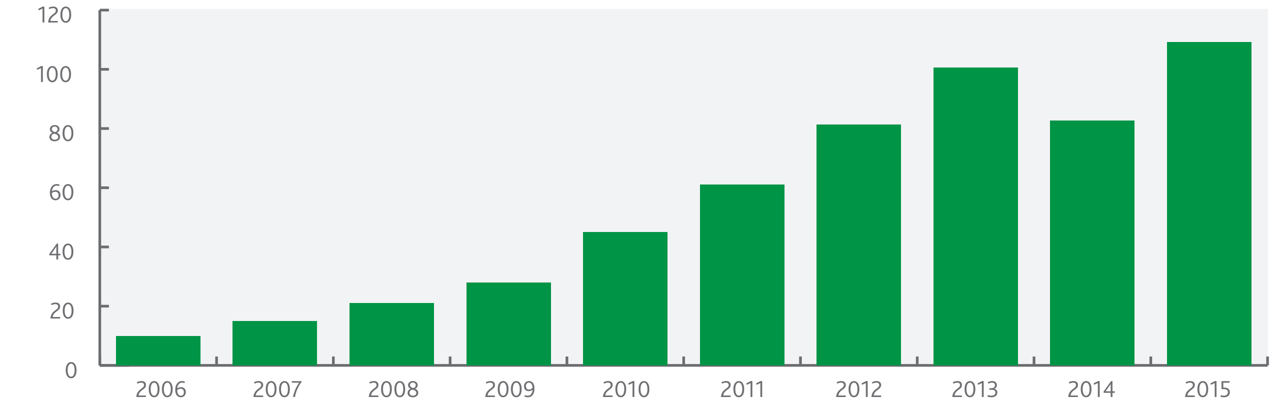
Revenue (£000)



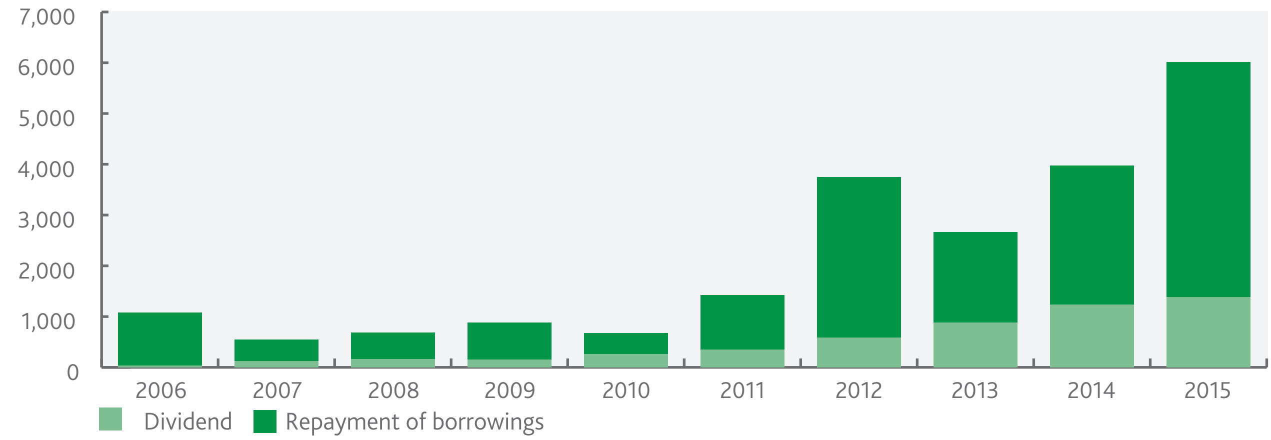
Adjusted operating profit (£000)



Adjusted basic earnings per share (pence)



Annual debt repaid and dividends paid from cashflow (£000)



COMPANY INFORMATION

Directors

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

Company Secretary

Christopher Talbot

Registered Office

52c Borough High Street
London SE1 1XN

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

Bankers

Lloyds Bank Corporate Markets
125 Colmore Row
Birmingham B3 3SF

Solicitors

Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London EC1A 2FG

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Judges Scientific plc

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