

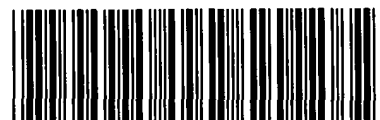
Registration number: 01962034

Armfield Limited

Directors Report and Financial Statements

for the year ended 31 December 2019

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Armfield Limited

Company information

Directors	Mr D Whitehouse (Managing Director) Mr D Cicurel Mr A Kay Mr M Lavelle (Chairman) Mr B Ormsby
Secretary	Mr G Reece
Company number	01962034
Registered Office	52c Borough High Street London SE1 1XN
Auditor	Grant Thornton UK LLP Statutory Auditor Chartered Accountants Regent House 80 Regent Road Leicester LE1 7NH

Armfield Limited

Contents

Directors' report	1 to 2
Strategic report	3
Independent auditor's report	4 to 6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Statement of accounting policies	10 to 14
Notes to the financial statements	15 to 23

Armfield Limited

Directors' report for the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the company in the year continued to be that of the design and supply of research and training equipment for use mainly in the fields of water resource engineering, process engineering and food technology. The statement of comprehensive income is set out on page 7 and shows the profit for the year. The directors remain confident in the company's position in the market place and that it will continue to remain strong and profitable through forward looking management and operational planning.

Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Directors

The directors who served during the year are as stated below:

Dr S Gregory
Mr D Whitehouse (Managing Director)
Mr D Cicurel
Mr A Kay
Mr M Lavelle
Mr B Ormsby

Resigned 1 January 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework'. 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 of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

Armfield Limited

Directors' report for the year ended 31 December 2019

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

The directors confirm that:

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

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is the earlier.

This report was approved by the board on 17 March 2020 and signed on its behalf by:



Mr G Reece
Secretary

Armfield Limited
Company Registration Number: 01962034

Armfield Limited

Strategic report for the year ended 31 December 2019

Principal activity

The principal activity of the company in the year continued to be that of the design and supply of research and training equipment for use mainly in the fields of water resource engineering, process engineering and food technology.

Business review

Turnover for the year ended 31 December 2019 was £9,455,763 (2018: £10,983,223). Profit before tax for the year ended 31 December 2019 was £224,222 (2018: £730,953).

The directors remain confident in the company's position in the market place and that it will continue to remain strong and profitable through forward looking management and operational planning.

Principal risks and uncertainties

The company's customers are located in all parts of the globe and a major part of sales is to enterprises that are state-owned or closely tied to state spending. Accordingly, the prevailing uncertainties in the world economy, and particularly the financial constraints currently affecting many western nations, represent a risk to the company's prospects. In addition, exports are exposed to possible adverse impacts on the international competitiveness of the company's activities caused by fluctuations in exchange rates. The ultimate parent undertaking seeks, so far as is practicable, to mitigate these currency effects through the use of financial instruments.

The company is engaged in a high level of development work, with the attendant risk of technical failure or delays. The directors seek to mitigate this risk through the quality of the company's technical skills base and through its contractual arrangements with its customers.

Financial key performance indicators

The directors consider turnover and profit to be the key performance indicators.

The directors of the company do not consider that non-financial key performance indicators will assist in an understanding of the business.

Section 172 statement

The matters that the directors of the company are responsible for considering under Section 172 of the Companies Act 2006 have been considered by the directors of the parent company, Judges Scientific Plc, for the group as a whole. An explanation of how the directors of the group board have considered these matters is set out in the consolidated financial statements of Judges Scientific plc.

This report was approved by the board on 17 March 2020 and signed on its behalf by:


Mr G Reece
Secretary

Armfield Limited
Company Registration Number: 01962034

Armfield Limited

Independent Auditor's Report to the members of Armfield Limited

Opinion

We have audited the financial statements of Armfield Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework', The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Armfield Limited

Independent Auditor's Report to the members of Armfield Limited

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report and Directors' report set out on pages 1 to 3, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Armfield Limited

Independent Auditor's Report to the members of Armfield Limited

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 1 and 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Grant Thornton UK LLP

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leicester
17 March 2020

Armfield Limited

Statement of comprehensive income for the year ended 31 December 2019

		2019 £	2018 £
	Notes		
Turnover	1	9,455,763	10,983,223
Raw materials and consumables		(5,082,936)	(5,877,997)
Other external charges		(1,698,041)	(2,022,956)
Staff costs	2	(2,518,446)	(2,485,726)
Depreciation		(190,938)	(73,643)
Other operating income		350,829	261,263
Operating profit	3	316,231	784,164
Pension scheme finance costs		(48,000)	(54,000)
Profit on ordinary activities before interest and taxation		268,231	730,164
Interest receivable and similar income		4,722	789
Interest payable on right-of-use lease liabilities		(48,731)	-
Profit on ordinary activities before taxation		224,222	730,953
Tax on profit on ordinary activities	4	37,099	(41,186)
Profit for the financial year		261,321	689,767
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Retirement benefits actuarial (loss)/gain		(375,160)	168,490
Other comprehensive (loss)/income for the year, net of tax		(375,160)	168,490
Total comprehensive (loss)/income for the year		(113,839)	858,257

All of the activities of the company are classed as continuing.

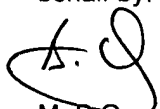
The accompanying notes form an integral part of these financial statements.

Armfield Limited

Balance sheet as at 31 December 2019

	Notes	£	2019 £	2018 £
Fixed assets				
Tangible assets	5		229,360	89,200
Right-of-use leased assets	6		1,232,583	-
Investments	7		187,153	187,153
			<u>1,649,096</u>	<u>276,353</u>
Current assets				
Stock	8	2,323,762	1,903,241	
Debtors	9	1,447,931	1,332,403	
Cash at bank and in hand		1,834,787	1,519,077	
		<u>5,606,480</u>	<u>4,754,721</u>	
Creditors: amounts falling due within one year				
Trade and other creditors	10	(3,068,025)	(2,161,085)	
Right-of-use lease liabilities	13	(156,930)	-	
		<u>(3,224,955)</u>	<u>(2,161,085)</u>	
Net current assets			<u>2,381,525</u>	<u>2,593,636</u>
Total assets less current liabilities			<u>4,030,621</u>	<u>2,869,989</u>
Creditors: amounts falling due after more than one year	11	(180,000)	(180,000)	
Deferred tax	12	7,000	43,869	
Right-of-use lease liabilities: amounts falling due after more than one year	13	(1,143,482)	-	
Total net assets excluding pension liability			<u>2,714,139</u>	<u>2,733,858</u>
Net pension liability	14	(1,743,000)	(1,523,880)	
Total net assets			<u>971,139</u>	<u>1,209,978</u>
Capital and reserves				
Called up share capital	15	101,818	101,818	
Share premium		726,182	726,182	
Profit and loss account		143,139	381,978	
Shareholders' funds – all equity		<u>971,139</u>	<u>1,209,978</u>	

The financial statements were approved by the board of directors on 17 March 2020 and signed on its behalf by:


Mr B Ormsby
Director

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

Armfield Limited

Statement of changes in equity for the year ended 31 December 2019

	Share capital £	Share premium £	Profit and loss account £	Total equity £
Balance at 1 January 2019	101,818	726,182	381,978	1,209,978
Dividend payable	-	-	(125,000)	(125,000)
Transactions with owners	-	-	(125,000)	(125,000)
Profit for the year	-	-	261,321	261,321
Actuarial loss recognised on defined benefit pension scheme	-	-	(452,000)	(452,000)
Deferred tax relating to actuarial loss on pension scheme	-	-	76,840	76,840
Total comprehensive loss for the year	-	-	(113,839)	(113,839)
Balance at 31 December 2019	101,818	726,182	143,139	971,139
Balance at 1 January 2018	101,818	726,182	(126,279)	701,721
Dividend payable	-	-	(350,000)	(350,000)
Transactions with owners	-	-	(350,000)	(350,000)
Profit for the year	-	-	689,767	689,767
Actuarial gain recognised on defined benefit pension scheme	-	-	203,000	203,000
Deferred tax relating to actuarial gain on pension scheme	-	-	(34,510)	(34,510)
Total comprehensive income for the year	-	-	858,257	858,257
Balance at 31 December 2018	101,818	726,182	381,978	1,209,978

Armfield Limited

Statement of accounting policies

General information

Armfield Limited is a company limited by shares. It was incorporated in England and its registered office is 52c Borough High Street, London, SE1 1XN. The principal activity of the company during the year was that of the design and supply of research and training equipment for use mainly in the fields of water resource engineering, process engineering and food technology.

Statement of compliance

The financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' and are presented in Sterling (£).

Basis of preparation

The company meets the definition of a qualifying entity under FRS 101. 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 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:

Judgements in applying accounting policies

- The directors must judge whether all of the conditions required for revenue to be recognised in the statement of comprehensive income of the financial year, as set out below, have been met.
- Research and development: The directors make judgement as to whether all of the conditions required for assets to be recognised have been met.

Sources of estimation uncertainty

- Stock is carried at the lower of cost and net realisable value which requires an estimation of products' future selling prices. A provision is also recorded to reduce any slow-moving, obsolete or demonstration stock to net realisable value.
- Depreciation rates are based on estimates of the useful lives and residual values of the assets involved;
- Warranty provisions are based on estimates of the likely cost of repairing or replacing faulty units.
- The carrying value of investments is assessed based on the current trading performance, the expected future performance and net assets of the investment.
- Right-of-use lease liabilities: the company estimates the incremental borrowing rate used to measure lease liabilities based on expected third party financing costs when the interest rate implicit in the lease cannot be readily determined.

Armfield Limited

Statement of accounting policies

The principal accounting policies are set out below.

Turnover

In accordance with IFRS 15, turnover is measured by reference to the fair value of consideration received or receivable by the company, excluding value added tax, in exchange for transferring the promised goods or services to the customer. The consideration is allocated to each separate performance obligation that is identified in a sales contract, based on stand-alone selling prices. Sales of instruments and spares, and sales of services, such as installation, support, training or consultancy, are assessed to be separate performance obligations.

Revenue is recognised when (or as) the company satisfies the identified performance obligation. For sales of instruments and spares, the performance obligation is satisfied at a point in time; for revenue from services, the performance obligation is satisfied over time. As the period of time between payment and performance is less than one year, the company does not adjust revenue for the effects of financing.

Revenue from sales of instruments and spares is recognised at the point at which the customer obtains control of the asset, which is on the point of despatch to the customer. For large, complex instruments which require highly specialised installation, revenue is recognised at the point at which installation is completed.

Revenue from services is recognised when the service is performed.

Tangible fixed assets and depreciation

Fixed assets are initially recorded at cost. Depreciation is provided at annual rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Demonstration equipment:	50% straight line on cost
Computer equipment:	33% straight line on cost
Fixtures, fittings and equipment:	15% straight line on cost
Motor vehicles:	25% straight line on cost

Leasing

The company has adopted IFRS 16 'Leases' as of 1 January 2019. The modified retrospective approach was applied on transition. Prior period comparatives have not been restated, and there was no adjustment to equity on transition.

IFRS 16 requires the capitalisation of operating leases, such as the company's building lease, as right-of-use leased assets with an offsetting financial liability. The company measured the right-of-use leased assets at an amount equal to the lease liabilities adjusted for any prepaid or accrued lease payments that existed at the date of transition. Right-of-use assets and liabilities are presented separately in the balance sheet. On transition to IFRS 16 the incremental borrowing rate used to measure lease liabilities was 4.25%.

In the statement of comprehensive income the previous rental charge has been replaced with a combination of depreciation from the right-of-use leased assets and an interest charge from the lease liabilities. Further details on the right-of-use assets and liabilities are in notes 7 and 13 respectively. The effect for the year ended 31 December 2019 is as follows:

	2019 £
Rental lease charges under previous accounting standard	167,895
Depreciation of right-of-use leased assets	(141,131)
Increase in operating profit due to IFRS 16	26,764
Interest charge from right-of-use liabilities	(48,731)
Decrease in profit before tax due to IFRS 16	(21,967)

Armfield Limited

Statement of accounting policies

Leasing (continued)

In the year of adoption operating profit increases, but profit before tax decreases. Assuming no further changes to the company's leases, the increase in operating profit will endure, however in future years the interest charge will reduce as the discount unwinds.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the right-of-use lease liabilities and assets recognised at 1 January 2019:

	1 January 2019 £
Total operating lease commitments disclosed at 31 December 2018	1,000,554
Adjustments to commitments disclosures	(2,460)
Right-of-use lease liabilities before discounting	998,094
Discounted using incremental borrowing rate	(152,297)
Right-of-use lease liabilities recognised at 1 January 2019	845,797
Right-of-use leased assets recognised at 1 January 2019	845,797

Any new contract entered into on or after 1 January 2019 which contains an identified asset, whose use the company has the right to direct throughout the period of the lease, and the right to obtain substantially all of the economic benefits from, is accounted for as a lease. At lease commencement date, the company recognises a right-of-use leased asset and a lease liability on the balance sheet. The lease liability is measured at the present value of the total lease payments due, discounted using the interest rate implicit in the lease if readily available, or at the company's incremental borrowing rate. The right-of-use asset is measured at cost, being the lease liability, plus any initial direct costs incurred by the company, or lease payments made in advance of the commencement date.

Right-of-use assets are depreciated on a straight-line basis to the end of the lease term.

The company assesses the right-of-use asset for impairment when such indicators exist. Lease liabilities are remeasured to reflect any reassessment or modification of the lease – when the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use leased asset, or in the statement of comprehensive income if the asset is already reduced to zero.

Stock

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Armfield Limited

Statement of accounting policies

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of transaction. All differences are taken to the statement of comprehensive income.

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 statement of comprehensive income, 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.

Research and development

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

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

Provisions for warranty claims

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

Armfield Limited

Statement of accounting policies

Investments

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

Group accounts

These financial statements contain information about Armfield Limited as an individual company and do not contain consolidated information as the parent of a group. The company is entitled to an exemption under Section 400 of the Companies Act 2006 from the obligation to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Judges Scientific plc, a company registered in the UK.

Post employment benefit plans

Defined benefit plans

Under the Company's defined benefit plans, the amount of pension benefit that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Company, even if plan assets for funding the defined benefit plan have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies.

The liability recognised in the balance sheet for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets.

Management estimates the DBO annually with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Service cost on the Company's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs. Gains and losses resulting from remeasurements of the net defined benefit liability are included in other comprehensive income.

Defined contribution plans

The company operates a defined contribution pension scheme for the benefit of employees joining the company after 31 December 2000. Contributions are charged in the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Profit and loss account" represents retained profits and losses.

Armfield Limited

Notes to the financial statements for the year ended 31 December 2019

1. REVENUE

Turnover attributable to geographical markets outside the United Kingdom amounted to 89% for the year (2018: 95%).

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2019 £	2018 £
Staff costs (including directors)		
Wages and salaries	2,085,390	2,034,918
Social security costs	178,537	195,289
Other pension costs	254,519	255,519
	<u>2,518,446</u>	<u>2,485,726</u>
Average number of persons employed:	No.	No.
Directors	7	8
Sales and administration	59	53
	<u>66</u>	<u>61</u>
Directors' emoluments:	£	£
Emoluments	254,108	269,295
Defined contribution pension scheme contributions	22,440	27,113
	<u>276,548</u>	<u>296,408</u>

During the year two directors participated in a money purchase pension scheme (2018: three).

Emoluments of the highest paid director:	£	£
Emoluments	135,996	113,329
Defined contribution pension scheme contributions	13,425	13,134
	<u>149,421</u>	<u>126,463</u>

Armfield Limited

Notes to the financial statements for the year ended 31 December 2019

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):	2019 £	2018 £
Depreciation of owned fixed assets	49,807	73,643
Depreciation of right-of-use leased assets	141,131	-
Auditor's remuneration – audit	14,750	11,000
Research and development	682,087	607,091
Profit on disposal of tangible fixed assets	(4,456)	-
Foreign exchange	<u>(346,374)</u>	<u>(266,847)</u>

Fees paid to the company's auditor for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of its ultimate parent undertaking, Judges Scientific plc, are required to disclose non-audit fees on a consolidated basis.

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge/(credit) in year:	2019 £	2018 £
Current tax		
Current tax on profits for the year	(73,905)	64
Adjustment in respect of prior years	(63)	-
Total current tax	<u>(73,968)</u>	<u>64</u>
Deferred tax		
Current tax on profits for the year	31,752	30,087
Adjustment in respect of previous periods	11,768	14,131
Effect of changes in tax rates	(6,651)	(3,096)
	<u>36,869</u>	<u>41,122</u>
Tax per statement of comprehensive income	<u>(37,099)</u>	<u>41,186</u>
Other comprehensive income items		
Deferred tax current year (credit)/charge	<u>(76,840)</u>	<u>34,510</u>

The (credit)/charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

Analysis of credit in year:	2019 £	2018 £
Profit on ordinary activities before tax	<u>224,222</u>	<u>730,953</u>
Tax on profit at standard UK tax rate of 19% (2018: 19%)	<u>42,602</u>	<u>138,881</u>
Effect of:		
Expenses not deductible	14,241	258
Tax rate changes	(6,651)	(3,096)
R&D tax relief	(96,732)	(108,988)
Utilisation of previously unrecognised losses	(2,264)	-
Adjustments in respect of prior years	<u>11,705</u>	<u>14,131</u>
Tax per statement of comprehensive income	<u>(37,099)</u>	<u>41,186</u>

Armfield Limited

Notes to the financial statements for the year ended 31 December 2019

5. TANGIBLE FIXED ASSETS

	Motor vehicles £	Furniture and equipment £	Computer equipment £	Total £
Cost				
At 1 January 2019	223,703	413,127	170,168	806,998
Additions	-	131,359	77,556	208,915
Disposals	(65,500)	(28,473)	(2,770)	(96,743)
At 31 December 2019	158,203	516,013	244,954	919,170
Depreciation				
At 1 January 2019	191,829	375,425	150,544	717,798
Charge for the year	14,988	11,492	23,327	49,807
Disposals	(56,611)	(19,047)	(2,137)	(77,795)
At 31 December 2019	150,206	367,870	171,734	689,810
Net book values				
At 31 December 2019	7,997	148,143	73,220	229,360
At 31 December 2018	31,874	37,702	19,624	89,200

6. RIGHT-OF-USE LEASED ASSETS

	Leasehold land and buildings £	Furniture and equipment £	Total £
Cost			
At 1 January 2019	-	-	-
Recognition of right-of-use assets on adoption of IFRS 16	820,630	25,167	845,797
Additions	1,255,465	-	1,255,465
Exit from lease	(820,630)	-	(820,630)
At 31 December 2019	1,255,465	25,167	1,280,632
Depreciation			
At 1 January 2019	-	-	-
Charge for the year	133,581	7,550	141,131
Exit from lease	(93,082)	-	(93,082)
At 31 December 2019	40,499	7,550	48,049
Net book values			
At 31 December 2019	1,214,966	17,617	1,232,583
At 31 December 2018	-	-	-

Armfield Limited

Notes to the financial statements for the year ended 31 December 2019

7. FIXED ASSET INVESTMENTS

Subsidiary undertakings

£

Net book value – 1 January 2019 and 31 December 2019

187,153

The original investment in 'Armfield' companies was £1,455,153. The investments in those companies above is net of an impairment in value of £1,268,000 which arose following a transfer to the company of the business, assets and liabilities of Armfield Technical Education Company Limited and was charged to the profit and loss account in the year ended 31 December 1989.

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Armfield Inc (incorporated in USA)	Common shares	100%	Distribution of research and training equipment
Armfield Technical Education Company Limited	Ordinary	100%	Dormant

8. STOCK

	2019 £	2018 £
Components	1,466,341	1,109,527
Finished goods	<u>857,421</u>	<u>793,714</u>
	<u>2,323,762</u>	<u>1,903,241</u>

In 2019, a total of £5,082,936 of inventories was included in the statement of comprehensive income as an expense (2018: £5,877,997). This includes a charge of £16,079 (2018: credit of £44,532) resulting from write-downs of inventories. All inventories form part of the assets pledged as security in respect of bank loans.

Armfield Limited

Notes to the financial statements for the year ended 31 December 2019

9. DEBTORS

	2019 £	2018 £
Trade debtors	1,130,021	1,174,816
Other debtors	133,627	76,580
Amounts due from group companies	106,180	-
Prepayments	78,103	81,007
	<u>1,447,931</u>	<u>1,332,403</u>

Trade debtors are stated after a provision of £nil (2018: £10,352).

10. CREDITORS

	2019 £	2018 £
Amounts falling due within one year		
Trade creditors	845,142	483,167
Amounts owed to group companies	655,622	679,876
Other creditors	20,106	15,247
Social security and other taxes	43,683	81,485
Corporation tax payable	368	63
Accruals and deferred income	1,503,104	901,247
	<u>3,068,025</u>	<u>2,161,085</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £	2018 £
Amounts owed to group undertakings	<u>180,000</u>	<u>180,000</u>

12. DEFERRED TAX

	£
At 1 January 2019	43,869
Charge for the year	(25,101)
Prior year adjustment	(11,768)
At 31 December 2019	<u>7,000</u>

The amounts provided in respect of deferred taxation are computed at the rate of 17% (2018: 17%) and relate to accelerated capital allowances.

Armfield Limited

Notes to the financial statements for the year ended 31 December 2019

13. RIGHT-OF-USE LEASE LIABILITIES

The company has lease liabilities for its premises used in operations.

Maturity of right-of-use lease liabilities:	2019 £	2018 £
Due within one year	207,892	-
Due between one and five years	630,564	-
Due after more than five years	739,223	-
Total commitment	1,577,679	-
Interest charges included above	(277,267)	-
Net present value of lease liabilities	1,300,412	-
Current	156,930	-
Non-current	1,143,482	-

14. PENSION SCHEMES

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £261,180 (2018: £258,172).

Defined benefit pension scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The most recent triennial actuarial valuation was performed by an independent actuary for the trustees of the scheme and was carried out on 31 March 2017.

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 16 years. The trustees are drawn partly from Armfield's employees and also from nominees of the Judges Group

Contributions payable to the pension scheme at the end of the year are £nil (2018: £nil).

The total contributions in the next year are expected to be £236,000 (2018: £236,000).

Armfield Limited

Notes to the financial statements for the year ended 31 December 2019

14. PENSION SCHEMES (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2019 £	2018 £
Fair value of plan assets	6,349,000	5,612,000
Present value of defined benefit obligation	(8,449,000)	(7,448,000)
Deficit in scheme	(2,100,000)	(1,836,000)
Deferred tax	357,000	312,120
Net retirement benefit obligation	<u>(1,743,000)</u>	<u>(1,523,880)</u>

Scheme assets	2019 £	2018 £
Changes in the fair value of plan assets:		
At start of year	5,612,000	5,983,000
Interest income	158,000	146,000
Return on plan assets (excluding amounts in interest income)	505,000	(301,000)
Contributions by the company	236,000	236,000
Benefits paid	(162,000)	(452,000)
At end of year	<u>6,349,000</u>	<u>5,612,000</u>

The actual return on plan assets of the year ended 31 December 2019 was £663,000 (2018: £155,000).

Scheme liabilities	2019 £	2018 £
Changes in the fair value of defined benefit pension obligations:		
At start of year	7,448,000	8,204,000
Interest expense	206,000	200,000
Actuarial losses due to scheme experience	-	-
Actuarial gains due to changes in demographic assumptions	(82,000)	(50,000)
Actuarial losses/(gains) due to financial assumptions	1,039,000	(454,000)
Benefits paid	(162,000)	(452,000)
At end of year	<u>8,449,000</u>	<u>7,448,000</u>

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

Analysis of assets	2019 £	2018 £
Quoted equities	3,423,000	2,801,000
Bonds	2,421,000	2,276,000
Property	495,000	494,000
Cash and other assets	10,000	41,000
	<u>6,349,000</u>	<u>5,612,000</u>

Armfield Limited

Notes to the financial statements for the year ended 31 December 2019

14. PENSION SCHEMES (continued)

Principal actuarial assumptions	2019 %	2018 %
Discount rate	2.10	2.80
Inflation rate	3.00	3.30
In payment pension increases	3.30	3.40
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 2017 model with a 1.00% per annum long term rate of improvement.

The life expectancies assumed are as follows:

	Life expectancy at age 65 (years)
Male retiring in 2018	21.6
Female retiring in 2018	23.7
Male retiring in 2038	22.6
Female retiring in 2038	24.7

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 £
Discount rate – decrease by 0.25% per annum	422,000
Mortality rate – increase of one year in life expectancy	313,000

The above shows the impact on the defined benefit obligation if the assumptions were changed as shown (assuming all other assumptions remain constant). There is zero sensitivity to inflation due to the nature of the scheme. 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.

Armfield Limited

Notes to the financial statements for the year ended 31 December 2019

15. CALLED UP SHARE CAPITAL

	2019	2018
	£	£
Allotted, called up and fully paid		
101,818 Ordinary shares of £1 each	<u>101,818</u>	<u>101,818</u>

16. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of Judges Scientific plc, the company is exempt from the requirements of FRS101 to disclose transactions within the group.

17. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of this company is Judges Scientific plc, which is incorporated in England and Wales. The only group undertaking for which consolidated accounts are prepared is that headed by Judges Scientific plc. Bank loans advanced to or guaranteed by Judges Scientific plc amounting at 31 December 2019 to £14,260,211 (2018: £14,836,000) are secured on the company's assets.