

**JUDGES SCIENTIFIC plc**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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# JUDGES SCIENTIFIC plc

## COMPANY INFORMATION

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### **Directors**

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

### **Company Secretary**

Ralph Leslie Cohen

### **Registered Office**

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

### **Registrar**

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

### **Nominated Adviser**

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

### **Stockbroker**

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

### **Auditor**

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

### **Principal Bankers**

Lloyds Bank Corporate Markets  
125 Colmore Row  
Birmingham B3 3SF

### **Solicitors**

Hogan Lovells  
Atlantic House  
Holborn Viaduct  
London EC1A 2FG

**Registered in England and Wales, Company No. 4597315**

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**CHAIRMAN'S STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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The Group has now completed its first decade and has been engaged in the design and manufacture of scientific instruments for seven and a half years. It gives me much pleasure to be able to report record revenues and profits for the seventh consecutive year.

Group revenues for the financial year ended 31 December 2012 registered a 35% advance from £20.8 million to £28.0 million. This reflects organic growth of 7.5% and includes a full year's contribution from Deben UK Limited ("Deben") and a maiden contribution from Global Digital Systems Limited ("GDS").

Profit before tax, exceptional items and minorities, rose by 42% to a record £5.6 million (2011: £3.9 million), with the operating contribution of the businesses owned as at 1 January 2011 growing by 12.9%. Basic earnings per share, before exceptional items, rose by one third, from 61.0p to 81.3p despite the dilution caused by the placing and the conversion of most of the Convertible Redeemable shares. Fully diluted earnings per share, before exceptional items, progressed 39.5% to 73.5p (2011: 52.7p).

Exceptional items include the amortisation of intangible assets, acquisition expenses and tax relief arising from the issue of shares to employees. They also reflect the difference in valuation from one year-end to the next of the Convertible Redeemable shares, with the strong progress in the Company's share price during 2012 producing an accounting "loss" of £1.6 million. Your Board regards this accounting charge as unrelated to the Group's operating performance and it is therefore treated as an exceptional item. Conscious that this artificial loss was an irritation for the investing community, the Board proposed a resolution to encourage premature conversion. This was duly adopted at the last AGM and all but 4.2% of the original Convertible Redeemable shares were converted before the year-end. The 2012 IFRS results are thankfully the last ones to be significantly affected by this accounting oddity but, of course, exceptional items will persist as long as the Group continues to complete acquisitions.

Profit, including exceptional items but before tax and minorities, amounted to £321,000 (2011: £2.9 million). After tax, this equates to a basic loss per share, including exceptional items, of 4.2p (2011: 45.2p earnings). The fully diluted loss per share, after exceptional items, amounted to 4.2p (2011: 42.9p earnings).

**Corporate activity**

On 6 March 2012, Deben completed the purchase of the business of KE Developments Limited ("KED"). KED designs and manufactures accessories for electron microscopes, addressing the same client base as Deben. The purchase price will depend on KED's five year sales and will be capped at a maximum of £340,000. The business was integrated into Deben during the course of 2012 and is expected to contribute to Deben's profitability with effect from 2013.

Also on 6 March 2012, Judges acquired the entire share capital of GDS for a cash consideration of £7.65 million. GDS designs, manufactures and sells instruments used to test the physical properties of soil and rocks. The acquisition was financed by an extension of the facilities provided by Lloyds Bank. It is appropriate to recognise the contribution of Lloyds (and Bank of Scotland until their merger into Lloyds) to the execution of our strategy and we are grateful for this enduring relationship that has persisted despite the recent upheavals within the banking industry; we believe that prudent lending to sensible companies to finance profitable projects is available from Lloyds.

In May, the Company restored its ability to complete acquisitions by raising new equity of £3.0 million (£2.8 million net of costs). The placing comprised of 500,000 new Ordinary shares priced at 600p and was almost three times subscribed. The shares were placed to existing and new institutional holders and to some private investors.

**CHAIRMAN'S STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**Trading in 2012**

Overall trading was positive in 2012, particularly in the vacuum division and the Group achieved a healthy growth in order intake, sales, profit and cash generation. The newly acquired businesses operated in line with management expectations, with a good performance at GDS, including buoyant order intake towards the end of the year. The Group has continued to focus on the updating of its product range.

As expected, the acquisition of GDS, because of its size and the purchase multiple paid, slightly reduced the Company's Return On Total Invested Capital which eased from 46.2% to 40.3%. The mechanical impact of this large transaction was mitigated by the positive operating performance of GDS and the remainder of the Group.

Planning permission was obtained to develop the Stonecross site in Laughton, beyond the area available at the time of its purchase, and construction is now under way. On completion in 2013, the businesses of UHV Design and of both Quorum locations will be consolidated into one factory, allowing us to improve Quorum's operations and profitability. UHV Design will benefit from the additional space it has been lacking following its rapid growth of recent years.

**Financial position**

Net debt as at 31 December 2012 stood at £2.0 million, excluding subordinated amounts owed to minority shareholders but including amounts still owed in respect of acquisitions, net debt stood at £1.75 million (2011: £0.73 million). The £8.0 million net debt taken on to purchase GDS was eroded by operating cash flow of £4.7 million and the £2.8 million proceeds from the placing (net of costs). Capital investment increased to £0.9 million primarily due to spending on the new Laughton factory, this will accelerate in 2013 and the asset will, on completion, be partially refinanced by Lloyds.

Year-end cash balances progressed from £4.0 million to £5.4 million.

Although a significant proportion of our debt is denominated in US dollars and Euros in order to hedge our contractual foreign currency exposure, the strength of Sterling during 2012 led to an adverse variance in our gross profit margins against budget. At the conclusion of the financial year we elected to hedge our 2013 budgeted margins through the utilisation of currency options and forward sales contracts. Should the downward trend in Sterling witnessed during the early months of 2013 continue, these measures will attenuate the unbudgeted gain that would otherwise accrue.

**Dividends**

Your Board is pleased to recommend a final dividend of 10.0p per share (2011: 6.7p per share) which, subject to approval at the forthcoming Annual General Meeting on 29 May 2013, will make a total distribution of 15.0p per share for 2012 (2011: 10.0p per share). Despite the proposed increase, the dividend total is still covered more than five times by adjusted earnings per share. If the proposed dividend is approved, the total of all dividends paid by the Company since its incorporation will amount to 46.4p, almost half of the 95p invested by the original shareholders at the time of the flotation in January 2003.

The proposed final dividend will be payable on 5 July 2013 to shareholders on the register on 7 June 2013 and the shares will go ex-dividend on 5 June 2013.

**CHAIRMAN'S STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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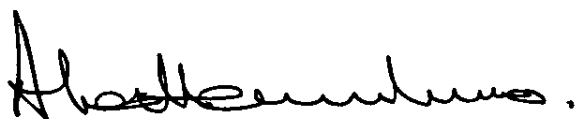
**Share Incentive Plan**

During 2012, the Company launched a Share Incentive Plan ("SIP") to enable all employees with a minimum of 12 months' service to purchase shares in a tax efficient manner up to a value of £1,500 per annum, commencing in April 2012. In the SIP's first tax year, the Company matched, pound-for-pound, individual employees' investments of up to £600 and this will be repeated in 2013/2014. This scheme provides an opportunity for employees, who work hard to support the Group's progress, to have a share in the value that they help to create. The Board is pleased that 67 Group employees, approximately one-third of eligible staff, have elected to participate in the SIP and it is particularly gratifying that the early participants have already benefited from the momentum in the Company's share price.

As ever, we are grateful to our employees for their ingenuity and hard work which has contributed so decisively to the results that we are able to announce this year.

**Current trading and prospects**

The global economic background may well show some improvement in 2013. Trading conditions in Europe are lacklustre rather than dire, there are plausible grounds for anticipating some recovery in the US but the onus for significant growth still lies essentially with the developing nations. With Sterling retreating from its 2012 gains, our export-dominated sector, resilient at the worst of times, may enjoy a more benign trading environment than in the recent past. The new year has started well for the Group and a solid order intake is buttressing the visibility afforded by the satisfactory year-end backlog.



Alex Hambro  
Chairman  
Date 21 March 2013

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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The directors present their report and financial statements for the year ended 31 December 2012

**Principal activities**

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

**Business review**

The group's activities continued to show resilience in 2012 despite the economic difficulties afflicting large parts of the global economy and the slowing pace of economic growth even in the more buoyant economies. On a like-for-like basis, increases were seen in 2012 in both revenues and profits. In addition to this organic growth, both Deben UK Limited ("Deben", in which a 51% interest was acquired in March 2011) and Global Digital Systems Limited ("GDS", which was acquired in March 2012) performed fully in line with expectations. This combination of organic growth and earnings enhancement through acquisitions fuelled a 33% increase in earnings per share (undiluted, excluding exceptional items), following a 35% increase the year before.

A significant proportion of group output is sold to customers financed directly or indirectly by the public sector, albeit in a diversified portfolio of regions and countries. The immediate future holds challenges for the group's businesses as governments in many parts of the developed world continue to struggle to bring public sector debt and spending under control. Movements in exchange rates also influence international competitiveness and trading margins. In this context, the modest strengthening of Sterling during 2012 against both the US dollar and the Euro has had some dampening effect on profitability, as a result, the Directors have extended the group's currency hedging arrangements to afford some protection for 2013, albeit that the early part of the current year has seen greater volatility and a weakening trend in Sterling.

The company's business model calls for a steady increase in the scope of its operations, achieved both through acquisitions of companies operating in its chosen field of activity and through the ongoing performance of its established subsidiaries. In addition to the dilution of head office costs that results from acquisitions, the company closely monitors the return it derives on the capital invested in its subsidiaries. The annual rate of return on total invested capital ("ROTIC") is computed monthly, both overall and in respect of each subsidiary, by comparing attributable earnings excluding exceptional items and before interest, tax and amortisation ("EBITA") with the investment in property, plant and equipment, goodwill and other intangibles and net current assets (excluding cash). In 2011 the overall return computed in this manner amounted to 46.2%. Inevitably, when a material acquisition is made, the overall group ROTIC is diluted, given the profit multiples that such businesses command. This was the case in 2012, following the acquisition of GDS. Taking this into account, the directors view the 2012 ROTIC of 40.3% with satisfaction.

- **Acquisitions:** on 6 March 2012, the company acquired the entire issued share capital of GDS, a company which designs, manufactures and sells instruments used to test the physical properties of soil and rocks. Also on 6 March 2012, the company's 51%-owned subsidiary, Deben UK Limited, completed the acquisition of the trade and certain assets of KE Developments Limited. Further details of these transactions are set out in notes 31 and 32. The trading performance of these two acquisitions has been entirely satisfactory. It is regarded as paramount that acquisitions are completed only when the directors are satisfied that the target business has sound long-term strength.
- **Ongoing performance:** the directors regard the trend of earnings per share (excluding exceptional items), reduction in net debt and the company's ability to pay dividends to its shareholders as key indicators of overall group performance. Undiluted earnings per share (excluding exceptional items) rose from 61.0p in 2011 to 81.3p in 2012, the directors consider undiluted earnings to be a better measure than diluted because, under current accounting standards, volatility in the share price affects the latter in a way that is not necessarily correlated with the company's performance. Net debt increased from £1,227,000 at 31 December 2011 to £2,000,000 at 31 December 2012, reflecting the acquisition of GDS, as described below. Dividends totalling 15.0p per share (2011: 10.0p) will be recommended in respect of 2012 (including those that have already been paid at the interim stage).

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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These are covered 2.4 times by earnings excluding the derivative charge (2011: 5.4 times) and 5.4 times (2011: 6.1 times) by earnings adjusted as set out in note 13, despite the proposed 50% increase in the dividend.

- **Revenue trends**

- The Materials Sciences group growth on a like-for-like basis was modest in the year but the acquisition of GDS had a major impact on the revenues of this division, which as a result rose by 58.4% in comparison with 2011.
- The Vacuum group revenues rose by 19.5%, driven by strong growth at Quorum Technologies Limited ("Quorum") and the impact of a full year's trading at Deben.

**Profitability**

The group's operating profit margin (excluding exceptional items) progressed from 19.9% in 2011 to 21.2% in 2012.

**Cash generation and management**

Cash generated from operations amounted to £6,360,000 (2011: £4,750,000). This benefited from a material increase in profits before exceptional items and in particular before the charge relating to the amortisation of intangible assets (largely arising from the GDS acquisition) which did not represent an operating cash flow item in the year.

The investment in the GDS acquisition resulted in an outflow (net of inherited cash) of £6,644,000, financed by bank loans and existing cash resources. Subsequent to the acquisition, the company conducted a £3 million share placing (£2.8 million net of costs) with the aim of restoring the group's financial capacity to complete further acquisitions. Consolidated net debt at 31 December 2012 amounted to £2,000,000, a level considered by the directors to reflect encouraging financial strength in the context of the size of the group's earnings and balance sheet.

**Commercial risks and uncertainties**

The group's customers are located in all parts of the globe and a major part of sales is to enterprises that are state-owned or closely tied to state spending. Accordingly, the prevailing uncertainties in the world economy, and particularly the borrowing constraints currently affecting many western nations, represent a risk to the group's prospects. In addition, the group's exporting subsidiaries are exposed to possible adverse impacts on the international competitiveness of their activities caused by fluctuations in exchange rates. The group seeks, so far as is practicable, to mitigate these currency effects, as set out in note 29.

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

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

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

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



**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**Commercial risks and uncertainties – continued**

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

**Financial risk management objectives and policies**

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

**1. Interest rate risk**

The group finances its operations through a mixture of bank borrowings, equity and retained profits. With net debt of just £1,503,000 at 31 December 2012 (excluding £497,000 of subordinated loans which do not bear interest), exposure to interest rate fluctuations is not considered to be a major threat to the group, however, the group's loans are subject to interest rate hedges, as described in note 29.

**2. Liquidity risk**

The group seeks to manage liquidity risk by ensuring that sufficient funds are available to meet foreseeable needs and to invest cash assets safely and profitably. Primarily this is achieved through loans arranged at group level. Short term flexibility is achieved through the availability of overdraft facilities and through the significant cash balances that the group currently holds.

**3. Credit risk**

The group reviews the credit risk relating to its customers by ensuring, wherever possible, that it deals with long established trading partners, agents and government / university backed bodies, where the risk of default is considered low. Where considered appropriate, the group insists on up-front payment and requires letters of credit to be provided.

**4. Currency risk**

With exports representing a significant proportion of its sales, the main risk area to which the group is exposed is that of foreign currencies (principally US\$ and Euros). The group adopts a strategy to hedge against this risk by 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. During 2012 and for the first time, the group entered into a number of forward and option contracts in both US\$ and Euros maturing in the subsequent year, these were aimed at protecting the ensuing year's competitive position and margins from adverse currency movements.

**5. Price risk**

The conversion terms of the Convertible Redeemable shares give rise to a derivative financial instrument, which is affected by fluctuations in the company's Ordinary share price. As described in note 25, the great majority of the Convertible Redeemable shares were converted or redeemed during 2012, which will all but eliminate this risk for 2013 and subsequent years.

**6. Cash flow risk**

The group manages its cash flow through a mixture of working capital, bank borrowings, equity and retained profits. With net debt at 31 December 2012 of just £2,000,000 and cash and cash equivalents of £5,418,000, the group's cash position is considered to be one of its key strengths.

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**Capital management objectives**

The group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the balance sheet. The directors manage the capital structure and make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain its capital structure the group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The directors seek to maintain a conservative gearing position (16% at 31 December 2012, 2011 17%) as they utilise bank funding to support their acquisition strategy. In pursuance of this policy, the directors concluded that the group's borrowing capacity had been stretched by the purchase of GDS to a point where further acquisition activity would be compromised, as a result, a £3 million placing of new shares was successfully completed in May 2012, thereby restoring the group's ability to complete further acquisitions.

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

**Going concern**

The consolidated financial statements have been prepared on a going concern basis. The directors have taken note of guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements. The group's principal operating companies experienced a strong trading environment in 2012 and overall the group enjoys good visibility for 2013, albeit that the global economic environment remains uncertain. The directors consider the financial position of the group to be healthy, with cash balances at 31 December 2012 in excess of £5.4 million and net debt of just £2,000,000. As a consequence, the directors believe that the parent company and the group are well placed to manage their business risks successfully despite the uncertainties surrounding the current economic outlook.

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

**Results and dividends**

The results for the financial year to 31 December 2012 are set out in the Consolidated Statement of Comprehensive Income. The company paid an interim dividend of 5.0p per Ordinary share on 2 November 2012. At the forthcoming Annual General Meeting, the directors will recommend payment of a final dividend for the year of 10.0p per Ordinary share to be paid on Friday 5 July 2013 to shareholders on the register on Friday 7 June 2013. The shares will go ex-dividend on Wednesday 5 June 2013.

**Directors**

The following directors have held office during the year

Hon AR Hambro<sup>1</sup> - non-executive  
Mr DE Cicurel  
Mr D Barnbrook  
Mr RL Cohen  
Mr RJ Elman<sup>1</sup> - non-executive  
Mr GC Reece<sup>1</sup> - non-executive

<sup>1</sup> Member of the audit and remuneration committees

# JUDGES SCIENTIFIC plc

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

### Directors' interests

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

|                | Ordinary of 5p each |         |                |         |
|----------------|---------------------|---------|----------------|---------|
|                | 31 December 2012    |         | 1 January 2012 |         |
|                | Shares              | Options | Shares         | Options |
| Hon AR Hambro  | 110,000             | -       | 100,000        | -       |
| Mr DE Cicurel  | 916,236             | -       | 538,841        | -       |
| Mr D Barnbrook | 22,248              | 50,000  | 15,000         | 55,000  |
| Mr RL Cohen    | 50,755              | 43,100  | 15,000         | 72,000  |
| Mr RJ Elman    | 82,429              | -       | 75,791         | -       |
| Mr GC Reece    | -                   | -       | 3,000          | -       |

Dividends paid in the year to directors who hold shares amounted to £108,000 in aggregate (2011 £57,000)

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

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

|                | Convertible Redeemable of 1p each (quarter-paid) |                |
|----------------|--|----------------|
|                | 31 December 2012                                 | 1 January 2012 |
|                | Shares   | Shares         |
| Hon AR Hambro  | -  | 468,751        |
| Mr DE Cicurel  | -  | 3,439,641      |
| Mr D Barnbrook | -  | 52,083         |
| Mr RL Cohen    | -  | 52,083         |
| Mr RJ Elman    | 208,333  | 260,416        |

The conversion terms of the Convertible Redeemable shares and movements in the year are detailed in note 25. Following a full conversion of the remaining Convertible Redeemable shares to Ordinary shares, the directors' interests in the enlarged share capital of the company as at 31 December 2012 would have been as follows

|                | Ordinary Shares |
|----------------|-----------------|
| Hon AR Hambro  | 110,000         |
| Mr DE Cicurel  | 916,236         |
| Mr D Barnbrook | 22,248          |
| Mr RL Cohen    | 50,755          |
| Mr RJ Elman    | 109,125         |
| Mr GC Reece    | -               |

In order to encourage holders to convert these shares before their final maturity date on 31 December 2014, a resolution was passed at the 2012 Annual General Meeting to open a short window of opportunity during which holders would be able to redeem part or all of their shares at a discount of 15% to their theoretical conversion value. The majority of these shares were converted or redeemed during the remainder of the year as a result of this change.

## JUDGES SCIENTIFIC plc

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

#### Directors' remuneration

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

|                                | Base<br>salary/fees<br>£000 | Performance<br>related<br>bonus<br>£000 | Contribution<br>to pension<br>schemes<br>£000 | Benefits<br>£000 | 2012<br>Total<br>£000 | 2011<br>Total<br>£000 |
|--------------------------------|-----------------------------|---|---|------------------|-----------------------|-----------------------|
| <b>Non Executive Directors</b> |                             |   |   |                  |                       |                       |
| Hon AR Hambro                  | 25                          | -                                       | -   | -                | 25                    | 25                    |
| Mr RJ Elman                    | 15                          | -                                       | -   | -                | 15                    | 15                    |
| Mr GC Reece                    | 20                          | -                                       | -   | -                | 20                    | 20                    |
| <b>Executive Directors</b>     |                             |   |   |                  |                       |                       |
| Mr DE Cicurel                  | 135                         | 27                                      | -   | 4                | 166                   | 153                   |
| Mr D Barnbrook                 | 116                         | 23                                      | 6   | 12               | 157                   | 148                   |
| Mr RL Cohen                    | 124                         | 24                                      | 1   | 5                | 154                   | 141                   |
| <b>Total</b>                   | <b>435</b>                  | <b>74</b>                               | <b>7</b>                                      | <b>21</b>        | <b>537</b>            | <b>502</b>            |

During 2012 two directors exercised share options as disclosed under note 24

During 2012, five directors converted and/or redeemed some or all of their holdings of Convertible Redeemable shares. Under current tax law, conversions of these shares are considered to give rise to deemed "remuneration", the amounts of which were as follows

|                | 2012<br>Total<br>£000 | 2011<br>Total<br>£000 |
|----------------|-----------------------|-----------------------|
|                |                       |                       |
| Hon AR Hambro  | 38                    | -                     |
| Mr RJ Elman    | 8                     | -                     |
| Mr DE Cicurel  | 313                   | -                     |
| Mr D Barnbrook | 8                     | -                     |
| Mr RL Cohen    | 8                     | -                     |

#### Payment policy

The group's policy is to agree terms and conditions with suppliers before business takes place and to pay agreed invoices in accordance with the terms of payment. Trade creditor days of the company at the end of the year represented 22 days (2011: 18 days).

#### Directors' responsibilities

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

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

In preparing these financial statements, the directors are required to

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

## **JUDGES SCIENTIFIC plc**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012**

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

In so far as each of the directors is aware:

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

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

#### **Corporate governance**

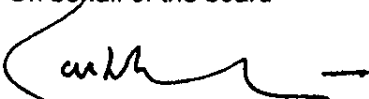
The directors have established an audit committee and a remuneration committee with formally delegated duties and responsibilities. The members of both committees are the non-executive directors.

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

#### **Auditor**

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

On behalf of the board



RL Cohen  
Director and Company Secretary  
Judges Scientific plc  
Company registration number 4597315  
21 March 2013

## JUDGES SCIENTIFIC plc

### 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 2012 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

#### Respective responsibilities of directors and auditor

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

#### Scope of the audit of the financial statements

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

#### Opinion on financial statements

In our opinion the consolidated financial statements

- give a true and fair view of the state of the group's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Opinion on other matter prescribed by the Companies Act 2006

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

#### Matters on which we are required to report by exception

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

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

#### Other matter

We have reported separately on the parent company financial statements of Judges Scientific plc for the year ended 31 December 2012.



Paul Houghton  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
East Midlands  
21 March 2013

**JUDGES SCIENTIFIC plc**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2012**

|  |             | <b>2012</b>                                       |  |                       | <b>2011</b>                                       |  |                       |
|--|-------------|---|--|-----------------------|---|--|-----------------------|
|  | <b>Note</b> | <b>Before<br/>exception<br/>al items<br/>£000</b> | <b>Exceptio<br/>nal items<br/>£000</b> | <b>Total<br/>£000</b> | <b>Before<br/>exceptio<br/>nal items<br/>£000</b> | <b>Exceptio<br/>nal items<br/>£000</b> | <b>Total<br/>£000</b> |
| <b>Revenue</b>   | 7           | <b>28,041</b>                                     | -                                      | <b>28,041</b>         | 20,810  | -                                      | 20,810                |
| Operating costs excluding exceptional items                      | 8           | (22,097)  | -                                      | (22,097)              | (16,677)  | -                                      | (16,677)              |
| <b>Operating profit excluding exceptional items</b>              |             | <b>5,944</b>                                      | -                                      | <b>5,944</b>          | 4,133   | -                                      | 4,133                 |
| Exceptional items  |             |   |  |                       |   |  |                       |
| Amortisation of intangible assets                                | 16          | -   | (3,294)                                | (3,294)               | -   | (1,155)                                | (1,155)               |
| Net insurance recovery   |             | -   | -                                      | -                     | -   | 596                                    | 596                   |
| Charge relating to derivative financial instruments              | 25          | -   | (1,573)                                | (1,573)               | -   | (304)                                  | (304)                 |
| Acquisition costs  | 31/32       | -   | (444)                                  | (444)                 | -   | (196)                                  | (196)                 |
| <b>Operating profit/(loss)</b>                                   |             | <b>5,944</b>                                      | <b>(5,311)</b>                         | <b>633</b>            | 4,133   | (1,059)                                | 3,074                 |
| Interest receivable  | 10          | 7   | -                                      | 7                     | 7   | -                                      | 7                     |
| Interest payable   | 10          | (319)   | -                                      | (319)                 | (195)   | -                                      | (195)                 |
| <b>Profit/(loss) before tax</b>                                  |             | <b>5,632</b>                                      | <b>(5,311)</b>                         | <b>321</b>            | 3,945   | (1,059)                                | 2,886                 |
| Taxation   | 11          | (1,302)   | 850                                    | (452)                 | (1,017)   | 210                                    | (807)                 |
| <b>Profit/(loss) and total comprehensive income for the year</b> |             | <b>4,330</b>                                      | <b>(4,461)</b>                         | <b>(131)</b>          | 2,928   | (849)                                  | 2,079                 |
| <b>Attributable to:</b>  |             |   |  |                       |   |  |                       |
| Equity holders of the parent company                             |             | <b>3,887</b>                                      | <b>(4,087)</b>                         | <b>(200)</b>          | 2,588   | (668)                                  | 1,920                 |
| Non-controlling interest   |             | <b>443</b>  | <b>(374)</b>                           | <b>69</b>             | 340   | (181)                                  | 159                   |
| <b>Earnings per share – total and continuing</b>                 |             |   |  |                       |   |  |                       |
| Basic  | 13          | <b>81.3p</b>                                      | -                                      | <b>(4.2)p</b>         | 61 0p   | -                                      | 45 2p                 |
| Diluted  | 13          | <b>73 5p</b>                                      | -                                      | <b>(4.2)p</b>         | 52 7p   | -                                      | 42 9p                 |

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

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

**JUDGES SCIENTIFIC plc**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2012**

|  |      | 2012            | 2011            |
|--|------|-----------------|-----------------|
|  | Note | £000            | £000            |
| <b>ASSETS</b>  |      |                 |                 |
| <b>Non-current assets</b>  |      |                 |                 |
| Property, plant and equipment                                      | 14   | 2,702           | 1,940           |
| Goodwill   | 15   | 5,809           | 5,316           |
| Other intangible assets  | 16   | 7,095           | 2,133           |
|  |      | <u>15,606</u>   | <u>9,389</u>    |
| <b>Current assets</b>  |      |                 |                 |
| Inventories  | 17   | 3,529           | 2,052           |
| Trade and other receivables  | 18   | 3,988           | 3,674           |
| Cash and cash equivalents  |      | 5,418           | 3,954           |
|  |      | <u>12,935</u>   | <u>9,680</u>    |
| <b>Total assets</b>  |      | <u>28,541</u>   | <u>19,069</u>   |
| <b>LIABILITIES</b>   |      |                 |                 |
| <b>Current liabilities</b>   |      |                 |                 |
| Trade and other payables   | 19   | (5,659)         | (3,465)         |
| Derivative financial instruments                                   | 25   | (234)           | (1,739)         |
| Payables relating to acquisitions                                  |      | (246)           | -               |
| Current portion of long-term borrowings                            | 20   | (2,028)         | (1,762)         |
| Current tax payable  |      | (633)           | (851)           |
|  |      | <u>(8,800)</u>  | <u>(7,817)</u>  |
| <b>Non-current liabilities</b>                                     |      |                 |                 |
| Long-term borrowings   | 21   | (5,390)         | (3,419)         |
| Deferred tax liabilities   | 23   | (1,562)         | (122)           |
|  |      | <u>(6,952)</u>  | <u>(3,541)</u>  |
| <b>Total liabilities</b>   |      | <u>(15,752)</u> | <u>(11,358)</u> |
| <b>Net assets</b>  |      | <u>12,789</u>   | <u>7,711</u>    |
| <b>EQUITY</b>  |      |                 |                 |
| Share capital  | 24   | 265             | 214             |
| Share premium account  |      | 6,467           | 3,195           |
| Capital redemption reserve   |      | 22              | 3               |
| Merger reserve   |      | 475             | 475             |
| Retained earnings  |      | 5,254           | 3,489           |
| <b>Equity attributable to equity holders of the parent company</b> |      | <u>12,483</u>   | <u>7,376</u>    |
| <b>Non-controlling interest</b>                                    |      | 306             | 335             |
| <b>Total equity</b>  |      | <u>12,789</u>   | <u>7,711</u>    |

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

The financial statements were approved by the board on 21 March 2013



D E Cicurel  
Director



R L Cohen  
Director



**JUDGES SCIENTIFIC plc**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012**

|   | Note | Share capital<br>£000 | Share premium<br>£000 | Capital redemption reserve<br>£000 | Merger reserve<br>£000 | Retained earnings<br>£000 | Total*<br>£000 | Non-controlling interest<br>£000 | Total equity<br>£000 |
|---|------|-----------------------|-----------------------|------------------------------------|------------------------|---------------------------|----------------|----------------------------------|----------------------|
| <b>Balance at 1 January 2012</b>                                      |      | <b>214</b>            | <b>3,195</b>          | <b>3</b>                           | <b>475</b>             | <b>3,489</b>              | <b>7,376</b>   | <b>335</b>                       | <b>7,711</b>         |
| Dividends   | 12   | -                     | -                     | -                                  | -                      | (587)                     | (587)          | (98)                             | (685)                |
| Issue of share capital  | 24   | 51                    | 3,272                 | -                                  | -                      | -                         | 3,323          | -                                | 3,323                |
| Arising on conversion and redemption of Convertible Redeemable shares | 25   | -                     | -                     | 19                                 | -                      | 2,552                     | 2,571          | -                                | 2,571                |
| <b>Transactions with owners</b>                                       |      | <b>51</b>             | <b>3,272</b>          | <b>19</b>                          | <b>-</b>               | <b>1,965</b>              | <b>5,307</b>   | <b>(98)</b>                      | <b>5,209</b>         |
| (Loss)/profit for the year  |      | -                     | -                     | -                                  | -                      | (200)                     | (200)          | 69                               | (131)                |
| <b>Total comprehensive income for the year</b>                        |      | <b>-</b>              | <b>-</b>              | <b>-</b>                           | <b>-</b>               | <b>(200)</b>              | <b>(200)</b>   | <b>69</b>                        | <b>(131)</b>         |
| <b>Balance at 31 December 2012</b>                                    |      | <b>265</b>            | <b>6,467</b>          | <b>22</b>                          | <b>475</b>             | <b>5,254</b>              | <b>12,483</b>  | <b>306</b>                       | <b>12,789</b>        |
| <b>Balance at 1 January 2011</b>                                      |      | <b>209</b>            | <b>3,092</b>          | <b>-</b>                           | <b>475</b>             | <b>1,606</b>              | <b>5,382</b>   | <b>249</b>                       | <b>5,631</b>         |
| Dividends   | 12   | -                     | -                     | -                                  | -                      | (351)                     | (351)          | (73)                             | (424)                |
| Issue of share capital  | 24   | 5                     | 103                   | -                                  | -                      | -                         | 108            | -                                | 108                  |
| Arising on conversion and redemption of Convertible Redeemable shares | 25   | -                     | -                     | 3                                  | -                      | 314                       | 317            | -                                | 317                  |
| <b>Transactions with owners</b>                                       |      | <b>5</b>              | <b>103</b>            | <b>3</b>                           | <b>-</b>               | <b>(37)</b>               | <b>74</b>      | <b>(73)</b>                      | <b>1</b>             |
| Profit for the year   |      | -                     | -                     | -                                  | -                      | 1,920                     | 1,920          | 159                              | 2,079                |
| <b>Total comprehensive income for the year</b>                        |      | <b>-</b>              | <b>-</b>              | <b>-</b>                           | <b>-</b>               | <b>1,920</b>              | <b>1,920</b>   | <b>159</b>                       | <b>2,079</b>         |
| <b>Balance at 31 December 2011</b>                                    |      | <b>214</b>            | <b>3,195</b>          | <b>3</b>                           | <b>475</b>             | <b>3,489</b>              | <b>7,376</b>   | <b>335</b>                       | <b>7,711</b>         |

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

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

**JUDGES SCIENTIFIC plc****CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2012**

|  | 2012           | 2011           |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Cash flows from operating activities</b>                      |                |                |
| (Loss)/profit after tax  | (131)          | 2,079          |
| Adjustments for  |                |                |
| Charge relating to derivative financial instruments              | 1,573          | 304            |
| Depreciation   | 235            | 170            |
| Amortisation of intangible assets                                | 3,294          | 1,155          |
| Foreign exchange (gain)/loss on foreign currency loans           | (78)           | 3              |
| Interest receivable  | (7)            | (7)            |
| Interest payable   | 319            | 195            |
| Tax expense recognised in income statement                       | 452            | 807            |
| (Increase)/decrease in inventories                               | (581)          | 220            |
| Decrease/(increase) in trade and other receivables               | 277            | (577)          |
| Increase in trade and other payables                             | 1,007          | 401            |
| Cash generated from operations                                   | 6,360          | 4,750          |
| Interest paid  | (324)          | (190)          |
| Tax paid   | (1,374)        | (1,136)        |
| <b>Net cash from operating activities</b>                        | <b>4,662</b>   | <b>3,424</b>   |
| <b>Cash flows from investing activities</b>                      |                |                |
| Paid on acquisition of new subsidiary                            | (8,022)        | (4,622)        |
| Gross cash inherited on acquisition                              | 1,378          | 1,655          |
| Acquisition of subsidiaries, net of cash acquired                | (6,644)        | (2,967)        |
| Paid on the acquisition of trade and certain assets              | (94)           | -              |
| Purchase of property, plant and equipment                        | (909)          | (579)          |
| Interest received  | 7              | 7              |
| <b>Net cash used in investing activities</b>                     | <b>(7,640)</b> | <b>(3,539)</b> |
| <b>Cash flows from financing activities</b>                      |                |                |
| Proceeds from issue of share capital                             | 3,323          | 108            |
| Repaid on conversion/redemption of Convertible Redeemable shares | (516)          | (1)            |
| Repayments of borrowings   | (3,155)        | (1,075)        |
| Proceeds from bank loans   | 5,475          | 2,422          |
| Issue of loan notes  | -              | 497            |
| Dividends paid – equity share holders                            | (587)          | (351)          |
| Dividends paid – non-controlling interest in subsidiary          | (98)           | (73)           |
| <b>Net cash from financing activities</b>                        | <b>4,442</b>   | <b>1,527</b>   |
| <b>Net increase in cash and cash equivalents</b>                 | <b>1,464</b>   | <b>1,412</b>   |
| <b>Cash and cash equivalents at beginning of year</b>            | <b>3,954</b>   | <b>2,542</b>   |
| <b>Cash and cash equivalents at end of year</b>                  | <b>5,418</b>   | <b>3,954</b>   |

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

## JUDGES SCIENTIFIC plc

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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**1. General information**

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

**2. Registered office**

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

**3. Basis of accounting**

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

Being listed on the Alternative Investment Market of the London Stock Exchange, the company is required to present its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Accordingly, these financial statements have been prepared in accordance with the accounting policies set out below which are based on the IFRS in issue as adopted by the European Union (EU) and in effect at 31 December 2012

**4. Use of accounting estimates and judgements**

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

**Judgements in applying accounting policies:**

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

**Sources of estimation uncertainty:**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**5. Changes in accounting policies**

**5.1 Standards adopted for the first time**

No new standards have been adopted during the year

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

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

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

IFRS 9 Financial Instruments (effective 1 January 2015)

IFRS 10 Consolidated Financial Statements (effective 1 January 2013)

IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)

IFRS 13 Fair Value Measurement (effective 1 January 2013)

IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)

Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)

Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)

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

Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)

Annual Improvements 2009-2011 Cycle (effective 1 January 2013)

Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**6. Accounting policies**

**6.1 Basis of consolidation**

The consolidated financial statements include those of the parent company and its subsidiaries, all drawn up to 31 December 2012. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from their activities. The group obtains and exercises control through voting rights. Income, expenditure, unrealised gains and intra-group balances arising from transactions within the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

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

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

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

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

**6.3 Goodwill**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**6.4 Revenue**

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

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

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

**6.5 Intangible assets acquired as part of a business combination**

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

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

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

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

**6.6 Property, plant and equipment**

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

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

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

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

**6.8 Leases**

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

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

**6.9 Inventories**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**6.10 Taxation**

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

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

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

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

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

**6.11 Share-based payments**

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

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

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

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

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**6.12 Financial assets**

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

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

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

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

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

**6.13 Financial liabilities**

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

All financial liabilities with the exception of Convertible Redeemable shares (see paragraph 6.19), interest rate swaps, foreign currency options and foreign currency contracts 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, foreign currency options and foreign currency contracts are treated as derivative financial instruments and are accounted for at fair value through profit and loss.

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

**6.14 Cash and cash equivalents**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**6.15 Pensions**

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

**6.16 Foreign currencies**

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

**6.17 Dividends**

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

**6.18 Equity**

Equity comprises the following:

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

**6.19 Convertible Redeemable shares**

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

**6.20 Exceptional items**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**7. Segment reporting**

**7.1 Identification of reportable segments**

The group's activities are predominantly in or in support of the design and manufacture of scientific instruments. The group operates two main business segments: the Materials Sciences group and the Vacuum group.

**7.2 Management of operating segments**

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

**7.3 Measurement policies**

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

**7.4 Segment analysis**

Segment analysis is as follows:

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

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

**JUDGES SCIENTIFIC plc****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012****7.4 Segment analysis – continued**

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

|                           | 2012          |                    | 2011          |                    |
|---------------------------|---------------|--------------------|---------------|--------------------|
|                           | Revenue       | Non-current assets | Revenue       | Non-current assets |
|                           | £000          | £000               | £000          | £000               |
| United Kingdom (domicile) | 3,517         | 15,606             | 2,660         | 9,389              |
| Rest of Europe            | 9,375         | -                  | 7,164         | -                  |
| United States/Canada      | 4,434         | -                  | 3,635         | -                  |
| Rest of the world         | 10,715        | -                  | 7,351         | -                  |
| <b>Total</b>              | <b>28,041</b> | <b>15,606</b>      | <b>20,810</b> | <b>9,389</b>       |

**JUDGES SCIENTIFIC plc****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012****7.4 Segment analysis – continued**

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

|   | <b>2012</b>    | <b>2011</b> |
|---|----------------|-------------|
|   | <b>£000</b>    | <b>£000</b> |
| <b>Contribution to group EBITA</b>  |                |             |
| Total contribution to group EBITA   | <b>6,148</b>   | 4,381       |
| Expenses not allocated  | <b>(806)</b>   | (731)       |
| Exceptional items   |                |             |
| Net insurance recovery  | -              | 596         |
| Charge relating to derivative financial instruments                               | <b>(1,573)</b> | (304)       |
| Amortisation of intangible assets   | <b>(3,294)</b> | (1,155)     |
| Acquisition costs attributable to group   | <b>(428)</b>   | (110)       |
| Acquisition costs attributable to non-controlling interest                        | <b>(16)</b>    | (86)        |
| Acquisition costs expensed  | <b>(444)</b>   | (196)       |
| Elimination of non-controlling interest adjustment in contribution to group EBITA | <b>602</b>     | 483         |
| <b>Operating profit after exceptional items</b>                                   | <b>633</b>     | 3,074       |
| Interest receivable   | <b>7</b>       | 7           |
| Interest payable  | <b>(319)</b>   | (195)       |
| <b>Profit before tax</b>  | <b>321</b>     | 2,886       |
| <b>Depreciation</b>   |                |             |
| Total segment depreciation charge   | <b>227</b>     | 163         |
| Head office depreciation not allocated  | <b>8</b>       | 7           |
| <b>Consolidated depreciation charge</b>   | <b>235</b>     | 170         |
| <b>Segment assets and liabilities</b>   |                |             |
| Total segment assets  | <b>12,414</b>  | 9,361       |
| Parent company assets (excluding corporation tax)                                 | <b>5,667</b>   | 3,396       |
| Assets eliminated on consolidation  | <b>(2,444)</b> | (1,733)     |
| Other assets – goodwill   | <b>5,809</b>   | 5,316       |
| Other assets - intangible assets  | <b>7,095</b>   | 2,133       |
| Net insurance recovery  | -              | 596         |
| <b>Consolidated total assets</b>  | <b>28,541</b>  | 19,069      |
| Total segment liabilities   | <b>8,944</b>   | 6,776       |
| Parent company liabilities  | <b>5,578</b>   | 2,829       |
| Derivative financial instruments  | <b>234</b>     | 1,739       |
| Liabilities eliminated on consolidation   | <b>(2,441)</b> | (1,722)     |
| Acquisition related loans   | <b>1,316</b>   | 1,316       |
| Other liabilities   | <b>583</b>     | 320         |
| Convertible Redeemable shares   | <b>1</b>       | 11          |
| Deferred tax  | <b>1,537</b>   | 89          |
| <b>Consolidated total liabilities</b>   | <b>15,752</b>  | 11,358      |

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

Expenses not allocated comprise head office costs. Parent company assets include £562,000 (2011 £562,000) in respect of a freehold property partly let at open market value to a member of the Materials Sciences segment.

**JUDGES SCIENTIFIC plc**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

|  |               |               |
|--|---------------|---------------|
| <b>8. Operating costs</b>  | <b>2012</b>   | <b>2011</b>   |
|  | <b>£000</b>   | <b>£000</b>   |
| Raw materials and consumables  | 11,334        | 8,529         |
| Other external charges   | 3,424         | 2,433         |
| Staff costs  | 7,104         | 5,545         |
| Depreciation   | 235           | 170           |
| Other operating costs, excluding exceptional items                   | 22,097        | 16,677        |
| Charge relating to derivative financial instruments                  | 1,573         | 304           |
| Net insurance recovery   | -             | (596)         |
| Amortisation of intangible assets                                    | 3,294         | 1,155         |
| Acquisition costs  | 444           | 196           |
| <b>Total operating costs, including exceptional items</b>            | <b>27,408</b> | <b>17,736</b> |
| <b>9. Operating profit</b>   | <b>2012</b>   | <b>2011</b>   |
|  | <b>£000</b>   | <b>£000</b>   |
| Operating profit is stated after charging                            |               |               |
| Fees payable to the company's auditor                                |               |               |
| for the audit of the company's annual accounts                       | 20            | 20            |
| Fees payable to the company's auditor for other services             |               |               |
| for the audit of the company's subsidiaries, pursuant to legislation | 60            | 51            |
| for tax services   | 17            | 11            |
| for corporate finance transactions                                   | 53            | 28            |
| for all other services   | 6             | 15            |
| Depreciation   | 235           | 170           |
| Loss on foreign exchange   | 147           | 115           |
| Amortisation of intangible assets                                    | 3,294         | 1,155         |
| Operating lease rentals - land and property                          | 270           | 249           |
| Operating lease rentals - vehicles                                   | 22            | 24            |
| <b>10. Interest receivable and payable</b>                           | <b>2012</b>   | <b>2011</b>   |
|  | <b>£000</b>   | <b>£000</b>   |
| Interest receivable - short-term bank deposits                       | 7             | 7             |
| Interest payable - bank loans  | (319)         | (195)         |
| <b>Net interest payable</b>  | <b>(312)</b>  | <b>(188)</b>  |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

| <b>11. Taxation</b>  | <b>2012<br/>£000</b> | <b>2011<br/>£000</b> |
|--|----------------------|----------------------|
| UK corporation tax at 24.5% (2011: 26.5%)  |                      |                      |
| Current year   | <b>1,099</b>         | 1,168                |
| Prior years  | <b>(95)</b>          | (44)                 |
|  | <b>1,004</b>         | 1,124                |
| Deferred tax - origination and reversal of temporary differences                           |                      |                      |
| Current year - excluding derivative financial instruments                                  | <b>(973)</b>         | (363)                |
| - derivative financial instruments   | <b>426</b>           | 47                   |
|  | <b>(547)</b>         | (316)                |
| Prior years  | <b>(5)</b>           | (1)                  |
|  | <b>(552)</b>         | (317)                |
| Tax on profit for the year - current year  | <b>552</b>           | 852                  |
| Tax on profit for the year - prior years   | <b>(100)</b>         | (45)                 |
|  | <b>452</b>           | 807                  |
| <b>Factors affecting the tax charge for the year:</b>                                      |                      |                      |
| <b>Profit before tax</b>   | <b>321</b>           | 2,886                |
| Profit before tax multiplied by standard rate of UK corporation tax of 24.5% (2011: 26.5%) | <b>76</b>            | 765                  |
| Carry back against prior year losses   | -                    | (35)                 |
| Exercise of share options  | <b>(138)</b>         | -                    |
| Provisions and expenditure not deductible for tax purposes                                 | <b>60</b>            | 46                   |
| Derivative charge  | <b>707</b>           | 88                   |
| Other differences  | <b>3</b>             | -                    |
| Change in the rate of corporation tax  | <b>(156)</b>         | (12)                 |
| Tax on profit for the year - current year  | <b>552</b>           | 852                  |
| Tax on profit for the year - prior years   | <b>(100)</b>         | (45)                 |
| Total net taxation charge  | <b>452</b>           | 807                  |

| <b>12. Dividends</b>                  | <b>2012</b>    |             | <b>2011</b>    |             |
|---------------------------------------|----------------|-------------|----------------|-------------|
|                                       | <b>p/share</b> | <b>£000</b> | <b>p/share</b> | <b>£000</b> |
| Final dividend for the previous year  | <b>6.7</b>     | <b>325</b>  | 5.0            | 210         |
| Interim dividend for the current year | <b>5.0</b>     | <b>262</b>  | 3.3            | 141         |
|                                       | <b>11.7</b>    | <b>587</b>  | 8.3            | 351         |

The directors will propose a final dividend of 10p per share, amounting to £531,600, for payment on 5 July 2013. As this remains conditional on shareholders' approval, provision has not been made in these consolidated financial statements.

Dividends declared by subsidiaries that are not wholly-owned are paid to the non-controlling interest in the period in which they are declared and amounted to £98,500 in the year (2011: £73,500).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**13. Earnings per share**

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

For the current year the number of shares for the calculation of diluted earnings per share (including exceptional items) is the same as the calculation of basic earnings per share (including exceptional items) as the effect of exercise of potential shares would reduce the loss per share and are therefore not dilutive under IAS 33.

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

**Year to 31 December 2012**

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



**JUDGES SCIENTIFIC plc**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**13 Earnings per share – continued**  
Year to 31 December 2011

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

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| <b>14</b> | <b>Property, plant and equipment</b>     | <b>Plant &amp;<br/>machinery</b> | <b>Fixtures,<br/>fittings &amp;<br/>equipment</b> | <b>Motor<br/>vehicles</b> | <b>Property<br/>&amp;<br/>building<br/>improve-<br/>ments</b> | <b>Total</b> |
|-----------|--|----------------------------------|---|---------------------------|---|--------------|
|           |  | <b>£000</b>                      | <b>£000</b>                                       | <b>£000</b>               | <b>£000</b>   | <b>£000</b>  |
|           | <b>Cost / deemed cost</b>                |                                  |   |                           |   |              |
|           | 1 January 2011                           | 476                              | 324   | 67                        | 658   | 1,525        |
|           | Additions                                | 15                               | 75  | -                         | 489   | 579          |
|           | Acquisitions                             | 23                               | -   | 28                        | 534   | 585          |
|           | Disposals and reclassifications          | (48)                             | (23)  | -                         | -   | (71)         |
|           | 31 December 2011                         | 466                              | 376   | 95                        | 1,681   | 2,618        |
|           | Additions                                | 167                              | 196   | 13                        | 573   | 949          |
|           | Acquisitions                             | -                                | 25  | -                         | 23  | 48           |
|           | <b>31 December 2012</b>                  | <b>633</b>                       | <b>597</b>  | <b>108</b>                | <b>2,277</b>  | <b>3,615</b> |
|           | <b>Depreciation</b>                      |                                  |   |                           |   |              |
|           | 1 January 2011                           | 323                              | 159   | 24                        | 63  | 569          |
|           | Charge                                   | 61                               | 64  | 23                        | 22  | 170          |
|           | Disposals and reclassifications          | (47)                             | (14)  | -                         | -   | (61)         |
|           | 31 December 2011                         | 337                              | 209   | 47                        | 85  | 678          |
|           | Charge                                   | 65                               | 97  | 28                        | 45  | 235          |
|           | <b>31 December 2012</b>                  | <b>402</b>                       | <b>306</b>  | <b>75</b>                 | <b>130</b>  | <b>913</b>   |
|           | <b>Net book value - 31 December 2012</b> | <b>231</b>                       | <b>291</b>  | <b>33</b>                 | <b>2,147</b>  | <b>2,702</b> |
|           | Net book value – 31 December 2011        | 129                              | 167   | 48                        | 1,596   | 1,940        |

Included in the net book value of property and building improvements at 31 December 2012 is £978,000 relating to the development, currently in progress, of a new factory in Laughton, East Sussex. The remaining contractual commitment under this project, not provided for in these financial statements, amounts to £2,000,000.

| <b>15. Goodwill</b> | <b>2012</b>  | <b>2011</b>  |
|---------------------|--------------|--------------|
|                     | <b>£000</b>  | <b>£000</b>  |
| <b>Cost</b>         |              |              |
| 1 January           | 5,316        | 5,290        |
| Addition in year    | 493          | 26           |
| 31 December         | <b>5,809</b> | <b>5,316</b> |

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

### 15. Goodwill – continued

An analysis of goodwill by operating segment is given in note 7. The increase in goodwill during 2012 related to the acquisition of Global Digital Systems Limited.

There have been no impairment charges in either 2012 or 2011. Goodwill is tested annually for impairment by reference to the value in use of the relevant cash generating units, which are the group's operating segments. This is calculated on the basis of projected cash flows for the following five years derived from detailed budgets for the ensuing year based on past experience, with subsequent years including modest nominal rates of sales and cost growth of 3% per annum and generally steady gross margins. The 3% long term growth rate takes into account both UK and overseas markets. These cash flows are adjusted to present day values at a discount rate based on a weighted average cost of capital of 11.33% (2011: 12.24%) per annum, calculated by reference to year-end data on equity values and interest, dividend and tax rates. The long term growth rate and discount rate is consistent for all segments on the basis that they all operate in similar markets and are exposed to similar risks. The residual value at the end of the five years, computed by reference to projected year six cash flows and discounted, is also included. There was no requirement for any impairment provision at 31 December 2012.

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

| <b>16. Other intangible assets</b> | <b>Non-compete agreement</b> | <b>Distribution agreements</b> | <b>Research and development</b> | <b>Sales order backlog</b> | <b>Brand and domain names</b> | <b>Customer relationships</b> | <b>Total</b>  |
|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------|-------------------------------|-------------------------------|---------------|
|                                    | £000                         | £000                           | £000                            | £000                       | £000                          | £000                          | £000          |
| <b>Gross carrying amount</b>       |                              |                                |                                 |                            |                               |                               |               |
| 1 January 2011                     | 23                           | 496                            | 180                             | 342                        | 242                           | 209                           | 1,492         |
| Additions                          | 474                          | 220                            | 250                             | 221                        | 350                           | 1,354                         | 2,869         |
| 31 December 2011                   | 497                          | 716                            | 430                             | 563                        | 592                           | 1,563                         | 4,361         |
| Additions                          | -                            | 803                            | 2,500                           | 792                        | 2,300                         | 1,861                         | 8,256         |
| <b>31 December 2012</b>            | <b>497</b>                   | <b>1,519</b>                   | <b>2,930</b>                    | <b>1,355</b>               | <b>2,892</b>                  | <b>3,424</b>                  | <b>12,617</b> |
| <b>Amortisation and impairment</b> |                              |                                |                                 |                            |                               |                               |               |
| 1 January 2011                     | 22                           | 305                            | 56                              | 342                        | 139                           | 209                           | 1,073         |
| Charge for the year                | 188                          | 219                            | 76                              | 221                        | 94                            | 357                           | 1,155         |
| 31 December 2011                   | 210                          | 524                            | 132                             | 563                        | 233                           | 566                           | 2,228         |
| Charge for the year                | 238                          | 302                            | 502                             | 792                        | 492                           | 968                           | 3,294         |
| <b>31 December 2012</b>            | <b>448</b>                   | <b>826</b>                     | <b>634</b>                      | <b>1,355</b>               | <b>725</b>                    | <b>1,534</b>                  | <b>5,522</b>  |
| <b>Carrying amount</b>             |                              |                                |                                 |                            |                               |                               |               |
| <b>31 December 2012</b>            | <b>49</b>                    | <b>693</b>                     | <b>2,296</b>                    | <b>-</b>                   | <b>2,167</b>                  | <b>1,890</b>                  | <b>7,095</b>  |
| Carrying amount 31 December 2011   | 287                          | 192                            | 298                             | -                          | 359                           | 997                           | 2,133         |

An analysis of other intangible assets by business segment is given in note 7. The additions to other intangible assets during 2012 relate to the acquisitions of Global Digital Systems Limited and certain assets and the trade of KE Developments Limited.

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| <b>17 Inventories</b> | <b>2012</b>  | <b>2011</b>  |
|-----------------------|--------------|--------------|
|                       | <b>£000</b>  | <b>£000</b>  |
| Raw materials         | <b>2,499</b> | 1,573        |
| Work in progress      | <b>857</b>   | 469          |
| Finished goods        | <b>173</b>   | 10           |
|                       | <b>3,529</b> | <b>2,052</b> |

In 2012, a total of £11,334,000 of inventories was included in the income statement as an expense (2011 £8,529,000). This includes an amount of £28,000 (2011 £198,000) resulting from write-downs of inventories and an amount of £101,000 (2011 nil) which is the reversal of previous write-downs. The carrying amount of inventories held at fair value less costs to sell is £31,000 (2011 £12,000). All group inventories form part of the assets pledged as security in respect of bank loans.

| <b>18. Trade and other receivables</b> | <b>2012</b>  | <b>2011</b>  |
|--|--------------|--------------|
|  | <b>£000</b>  | <b>£000</b>  |
| Trade receivables                      | <b>3,370</b> | 2,343        |
| Prepayments and accrued income         | <b>325</b>   | 205          |
| Other receivables                      | <b>293</b>   | 1,126        |
|  | <b>3,988</b> | <b>3,674</b> |

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

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

|   | <b>2012</b>  | <b>2011</b> |
|---|--------------|-------------|
|   | <b>£000</b>  | <b>£000</b> |
| Not more than 3 months                        | <b>1,238</b> | 807         |
| More than 3 months but not more than 6 months | <b>270</b>   | 66          |
| More than 6 months but not more than 1 year   | <b>7</b>     | 9           |
| Greater than one year                         | <b>-</b>     | 7           |
|   | <b>1,515</b> | <b>889</b>  |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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| <b>19. Trade and other payables</b> | <b>2012</b>  | <b>2011</b>  |
|-------------------------------------|--------------|--------------|
|                                     | <b>£000</b>  | <b>£000</b>  |
| Trade payables                      | <b>3,286</b> | 1,466        |
| Accruals and deferred income        | <b>1,554</b> | 1,367        |
| Social security and other taxes     | <b>256</b>   | 261          |
| Other payables                      | <b>563</b>   | 371          |
|                                     | <b>5,659</b> | <b>3,465</b> |

All amounts are short-term and their carrying values are considered reasonable approximations of fair value. Other payables also include £521 (2011: £10,682) of non equity shares classed as financial liabilities (see note 25).

| <b>20. Current portion of long-term borrowings</b> | <b>2012</b>  | <b>2011</b>  |
|--|--------------|--------------|
|  | <b>£000</b>  | <b>£000</b>  |
| Bank loans   | <b>1,531</b> | 1,265        |
| Subordinated loans                                 | <b>497</b>   | 497          |
|  | <b>2,028</b> | <b>1,762</b> |

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

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

| <b>21. Long-term borrowings</b> | <b>2012</b>  | <b>2011</b> |
|---------------------------------|--------------|-------------|
|                                 | <b>£000</b>  | <b>£000</b> |
| Bank loans                      | <b>5,390</b> | 3,419       |

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

- The first loan is repayable in quarterly instalments over the period ending 31 March 2017 and bears interest at 3.35% above LIBOR-related rates.
- The second loan is repayable in quarterly instalments with a final payment in March 2016 and bears interest at 3.25% above LIBOR-related rates.
- The third loan is repayable in quarterly instalments over the period ending 31 March 2019 and bears interest at 3.75% above LIBOR-related rates.
- The mortgage is repayable in quarterly instalments over the period ending 31 December 2016 with a final payment in March 2017 and bears interest at 3.35% above LIBOR-related rates.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**22 Maturity of borrowings and net debt**

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

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

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 2012 of loans denominated in US\$ was £984,000 (2011 £772,000) and in Euros was £1,460,000 (2011 £893,000). These amounts are included in the figures above for bank loans, repayable in years 1 to 5.

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, forward foreign currency contracts and foreign currency options. Further details are set out in note 29 below.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| <b>23. Deferred tax (liabilities)/assets</b>                             | <b>2012</b>    | <b>2011</b>  |
|--|----------------|--------------|
|  | <b>£000</b>    | <b>£000</b>  |
| 1 January  | (122)          | 348          |
| Acquisition in year – amount recognised                                  | (3)            | (12)         |
| Acquisition in year – attributable to intangible assets                  | (1,989)        | (774)        |
| Credit to income statement in the year                                   | 978            | 363          |
| Attributable to the derivative financial instruments                     | (426)          | (47)         |
| 31 December  | <u>(1,562)</u> | <u>(122)</u> |
| <b>Deferred tax balances relate to temporary differences as follows:</b> |                |              |
| Accelerated capital allowances   | (25)           | (35)         |
| Provisions allowable for tax in subsequent period                        | 45             | 20           |
| Intangible assets  | (1,582)        | (533)        |
| Attributable to the derivative financial instruments                     | -              | 426          |
| Total  | <u>(1,562)</u> | <u>(122)</u> |

Amounts provided in respect of deferred tax are computed at 23% (2011 25%)

The group had unrelieved tax losses at 31 December 2012 of £173,000 (2011 £192,000). The ability to utilise these losses, which reside in the parent company, is significantly affected by unpredictable factors. The group has therefore not recognised a deferred tax asset (2012 £40,000, 2011 £48,000) in respect of these losses as it cannot be considered probable that taxable profits will be available in the near term against which they can be utilised. However they are available to be offset against future profits of the parent company.

| <b>24. Share capital</b>   | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |
| <b>Allotted, called up and fully paid - Ordinary shares of 5p each</b>   |             |             |
| 1 January 4,289,967 shares (2011 4,180,242)                              | 214         | 209         |
| Placing of 500,000 new Ordinary shares at 600p/share                     | 25          | -           |
| Exercise of share options 89,900 shares (2011 3,000)                     | 4           | -           |
| Exercise of warrants to subscribe nil (2011 23,840 shares)               | -           | 1           |
| Conversion of Convertible Redeemable shares 432,632 shares (2011 82,885) | 22          | 4           |
| 31 December 5,312,499 shares (2011 4,289,967)                            | <u>265</u>  | <u>214</u>  |

Allotments of Ordinary shares in 2012 were made

- by way of the above placing on 10 May, when the share price was 628 5p, with the aim of restoring the group's financial capacity to complete further acquisitions following the purchase of Global Digital Systems Limited in March 2012,
- to satisfy the exercise of 89,900 share options in aggregate on 7 occasions during the year when the share price was within the range of 626 5p to 972 5p (2011 the exercise of 3,000 share options on 6 October 2011 when the share price was 405p), and
- on the conversion of 2,907,870 Convertible Redeemable shares into 377,229 Ordinary shares on 21 August 2012 when the Ordinary share price was 750 0p, the conversion of 78,102 Convertible Redeemable shares into 10,000 Ordinary shares on 28 August 2012 when the Ordinary share price was also 750 0p and the conversion of 356,249 Convertible Redeemable shares into 45,403 Ordinary shares on 4 December 2012 when the Ordinary share price was 947 5p

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**24 Share capital – continued****Equity share options and warrants**

At 31 December 2012, options had been granted and remained outstanding in respect of 268,100 Ordinary shares in the company, all priced by reference to the mid-market price of the shares on the date of grant and all exercisable, following a 3-year vesting period, between the third and tenth anniversaries of grant, as below

|                                     | 2012     |   | 2011     |   |
|-------------------------------------|----------|---|----------|---|
|                                     | Number   | Weighted<br>average<br>exercise<br>price<br>p/share | Number   | Weighted<br>average<br>exercise<br>price<br>p/share |
| <b>2005 Approved Plan</b>           |          |   |          |   |
| Outstanding at 1 January            | 211,350  | 154.2   | 198,850  | 112.1   |
| Granted in year                     | 10,000   | 821.5   | 25,500   | 472.4   |
| Exercised or lapsed in year         | (80,900) | 105.3   | (13,000) | 133.5   |
| Outstanding at 31 December          | 140,450  | 229.9   | 211,350  | 154.2   |
| Of which exercisable at 31 December | 92,950   | 104.8   | 129,450  | 109.4   |
| <b>2005 Unapproved Plan</b>         |          |   |          |   |
| Outstanding at 1 January            | 136,650  | 180.9   | 108,150  | 104.7   |
| Granted in year                     | -        | -   | 28,500   | 470.0   |
| Exercised or lapsed in year         | (9,000)  | 107.2   | -        | -   |
| Outstanding at 31 December          | 127,650  | 186.1   | 136,650  | 180.9   |
| Of which exercisable at 31 December | 99,150   | 104.5   | 92,550   | 106.8   |
| <b>Total</b>                        |          |   |          |   |
| Outstanding at 1 January            | 348,000  | 164.7   | 307,000  | 109.5   |
| Granted in year                     | 10,000   | 821.5   | 54,000   | 471.1   |
| Exercised or lapsed in year         | (89,900) | 105.4   | (13,000) | 133.5   |
| Outstanding at 31 December          | 268,100  | 209.1   | 348,000  | 164.7   |
| Of which exercisable at 31 December | 192,100  | 104.6   | 222,000  | 108.4   |

Exercise prices at 31 December 2012 ranged from 92p/share to 865.0p/share (2011 92p/share to 470.0p/share), with a weighted average remaining contractual life of 5.74 years (2011 6.40 years)



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**24. Share capital – continued**

Options were exercised during 2012 by two directors (2011 nil) as follows

| Grant of options         | Market price on date of exercise per share | Number of shares |               |
|--------------------------|--|------------------|---------------|
|                          |  | Mr D Barnbrook   | Mr R L Cohen  |
| 22 March 2006 at 103 5p  | 972 5p                                     | 5,000            | -             |
| 24 September 2007 at 94p | 647 5p                                     | -                | 10,000        |
| 28 April 2008 at 124p    | 647 5p                                     | -                | 10,000        |
| 23 July 2009 at 92p      | 870 0p                                     | -                | 8,900         |
|                          |  | <b>5,000</b>     | <b>28,900</b> |

Options remain exercisable by two directors as follows

| Grant of options          | Number of shares |               |
|---------------------------|------------------|---------------|
|                           | Mr D Barnbrook   | Mr R L Cohen  |
| 20 October 2005 at 101 5p | 5,000            | 37,000        |
| 22 March 2006 at 103 5p   | 5,000            | -             |
| 23 March 2007 at 106 5p   | 10,000           | -             |
| 24 September 2007 at 94p  | 5,000            | -             |
| 28 April 2008 at 124p     | 10,000           | -             |
| 23 July 2009 at 92p       | 10,000           | 1,100         |
| 9 May 2011 at 470p        | 5,000            | 5,000         |
|                           | <b>50,000</b>    | <b>43,100</b> |

The market price of the company's Ordinary shares on 31 December 2012 was 970 0p, the highest price during 2012 was 982 5p on 7 December, the lowest price during 2012 was 412 5p on 3 January and the price on 15 March 2013 was 1,135 0p

In accordance with IFRS 2, a Black Scholes valuation model has been used. This has indicated that no material expense is required to be charged for the years ended 31 December 2012 and 31 December 2011. As such, no adjustment has been made to either the consolidated or parent company financial statements.

During 2012, the group launched the Judges Scientific Share Incentive Plan, enabling all eligible employees to invest in the company's shares in a tax-efficient way. In at least the first two tax years of the scheme, the group is giving a free "matching share" for every share purchased up to a maximum value of £600 per employee per tax year. By 31 December 2012, a total of 58 employees had participated in the scheme, purchasing 9,225 shares in total (including matching shares). Included in these figures, shares acquired by directors (including matching shares) were 166 acquired by David Cicurel, 330 by David Barnbrook and 217 by Ralph Cohen.

**Convertible Redeemable shares**

The conversion rights set out in note 25 would have resulted in the issue of 26,696 Ordinary shares if conversion of all the outstanding Convertible Redeemable shares had taken place on 31 December 2012.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| 25. Convertible Redeemable shares classed as financial liabilities            | 2012<br>£000 | 2011<br>£000 |
|---|--------------|--------------|
| <b>Allotted – shares of 1p each</b>   |              |              |
| 1 January 2012 4,272,974 shares (2011 5,000,000) – all ¼p paid                | 11           | 12           |
| Paid up to 1p per share – 4,064,641 shares (2011 nil)                         | 31           | -            |
| Conversion into Ordinary shares 3,342,221 shares (2011 727,026) - see note 24 | (34)         | (1)          |
| Redemption – 722,420 shares (2011 nil)  | (7)          | -            |
| 31 December 2012 208,333 shares (2011 4,272,974) – all ¼p paid                | 1            | 11           |

At the Annual General Meeting in May 2012, shareholders approved a resolution to amend the redemption rights attaching to the Convertible Redeemable shares. As a result, a window of opportunity was opened until 28 December 2012 during which the holders could redeem for cash part or all of their Convertible Redeemable shares at a 15% discount to their theoretical conversion value. Following this change, 95% of the shares outstanding on 1 January 2012 were redeemed or converted into Ordinary shares, leaving just 208,333 outstanding at 31 December 2012.

In accordance with IAS 32, Financial Instruments Presentation, the Convertible Redeemable shares are classified as financial liabilities. Under the terms of IAS 39 Financial Instruments, Recognition and Measurement, the conversion and redemption feature within the Convertible Redeemable shares is deemed to represent a derivative financial instrument. As such, it is a requirement that they be fair-valued at each accounting date, with changes in fair-value being recognised through the income statement. The continuing increase in the market price of the company's Ordinary shares has correspondingly increased the fair value of the Convertible Redeemable shares. This has resulted in a £1,573,000 charge before tax (£1,895,000 including related tax charge) in the year ended 31 December 2012 (2011 £304,000 charge before tax, £351,000 including tax). Before 31 December 2012 the majority of these Convertible Redeemable shares were converted or redeemed. Reductions in the provision arising on these redemptions and conversions into Ordinary shares have been transferred directly to equity, with cash payments arising on redemptions being charged against the provision. The fair value liability at 31 December 2012 is £234,000 (2011 £1,739,000).

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

- There is no right to participate in the profits of the company
- On a winding up or other return of capital, any surplus assets remaining after payment of liabilities shall be applied:
  - i) Firstly in equally repaying the paid up capital on both the Ordinary shares and the Convertible Redeemable shares,
  - ii) Secondly in distributing the remainder amongst the holders of the Ordinary shares according to the amounts paid up
- The holders of the Convertible Redeemable shares are not entitled to attend or vote at General Meetings of the company unless the meeting is to consider a resolution for the winding up of the company
- The remaining Convertible Redeemable shares are convertible no later than 31 December 2014 into such number of Ordinary shares as would represent 0.5% of the company's Ordinary share capital as enlarged if all remaining Convertible Redeemable shares had been converted at 31 December 2012 (2011 10.26%), the exercise price is 95p per Ordinary share less amounts already paid on the Convertible Redeemable shares
- The holders of Convertible Redeemable shares shall (subject to the provisions of the Companies Acts) be entitled at any time to redeem all or any of the Convertible Redeemable shares outstanding out of any profits or monies of the company which may lawfully be applied for such purpose

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

| <b>26. Emoluments of directors and key management personnel</b>                                | <b>2012<br/>no.</b> | <b>2011<br/>no</b> |
|--|---------------------|--------------------|
| <b>Executive directors</b>   | <b>3</b>            | <b>3</b>           |
| <b>Non-executive directors</b>   | <b>3</b>            | <b>3</b>           |
|  | <b>6</b>            | <b>6</b>           |
|  | <b>£000</b>         | <b>£000</b>        |
| <b>Total directors' emoluments.</b>  |                     |                    |
| Emoluments   | <b>530</b>          | <b>490</b>         |
| Defined contribution pension scheme contributions  | <b>7</b>            | <b>12</b>          |
|  | <b>537</b>          | <b>502</b>         |
| <b>Emoluments of the highest paid director:</b>  |                     |                    |
| Emoluments   | <b>166</b>          | <b>153</b>         |
| During the year two directors participated in a defined contribution pension scheme (2011 two) |                     |                    |
| <b>Compensation of key management personnel</b>  |                     |                    |
| Emoluments, benefits, pension contributions and social security costs                          | <b>1,157</b>        | <b>1,064</b>       |
| Short term employee benefits   |                     |                    |
| Salaries including bonuses and social security costs   | <b>1,062</b>        | <b>980</b>         |
| Company car allowance and other benefits   | <b>49</b>           | <b>41</b>          |
| <b>Total short term employee benefits</b>  | <b>1,111</b>        | <b>1,021</b>       |
| Post-employment benefits   |                     |                    |
| Defined contribution pension plans   | <b>46</b>           | <b>43</b>          |
| <b>Total post-employment benefits:</b>   | <b>46</b>           | <b>43</b>          |
| <b>Total remuneration</b>  | <b>1,157</b>        | <b>1,064</b>       |

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

| <b>27 Employees</b>   | <b>2012<br/>no.</b>  | <b>2011<br/>no</b>   |
|---|----------------------|----------------------|
| <b>Number of employees</b>                                      |                      |                      |
| By function – manufacturing                                     | <b>89</b>            | 71                   |
| – sales and administration                                      | <b>87</b>            | 64                   |
|   | <b>176</b>           | 135                  |
| <b>By business segment</b>                                      |                      |                      |
| Materials Sciences group  | <b>87</b>            | 55                   |
| Vacuum group  | <b>81</b>            | 72                   |
| head office (including 3 non-executive directors in both years) | <b>8</b>             | 8                    |
|   | <b>176</b>           | 135                  |
| <b>Employment costs</b>   | <b>2012<br/>£000</b> | <b>2011<br/>£000</b> |
| Wages and salaries  | <b>6,261</b>         | 4,879                |
| Social security costs   | <b>671</b>           | 521                  |
| Pension costs   | <b>172</b>           | 145                  |
|   | <b>7,104</b>         | 5,545                |

**28. Financial instruments**

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

**Fair value of financial instruments**

Financial instruments include the borrowings set out in note 22. The group enters into derivative financial instruments in order to manage its interest rate and foreign currency exposure. The principal derivatives used include interest rate swaps, forward foreign currency contracts and foreign currency options. Material changes in the carrying values of these instruments are recognised in the income statement in the periods in which the changes arise. All financial instruments denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The directors believe that there is no material difference between the book value and fair value of all financial instruments.

**Borrowing facilities**

The group had an undrawn committed overdraft facility of £3.8 million at 31 December 2012 (2011 £500,000).

**Trade payables**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**28. Financial instruments – continued**

**Fair value hierarchy**

The fair value hierarchy has the following levels

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

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

| <b>Summary of financial assets and financial liabilities by category</b>             | <b>2012<br/>£000</b> | <b>2011<br/>£000</b> |
|--|----------------------|----------------------|
| <b>Financial Assets</b>  |                      |                      |
| Trade and other receivables  | 3,663                | 3,469                |
| Cash and cash equivalents  | 5,418                | 3,954                |
| <b>Loans and receivables</b>   | <b>9,081</b>         | <b>7,423</b>         |
| <b>Financial Liabilities</b>   |                      |                      |
| Derivative financial instruments   | 234                  | 1,739                |
| <b>Financial liabilities designated at fair value through profit or loss</b>         | <b>234</b>           | <b>1,739</b>         |
| Trade payables   | 3,286                | 1,466                |
| Accruals   | 1,554                | 1,367                |
| Other payables   | 563                  | 371                  |
| Trade and other payables relating to acquisitions                                    | 246                  | -                    |
| Current portion of long-term borrowings  | 2,028                | 1,762                |
| Long-term borrowings   | 5,390                | 3,419                |
| <b>Financial liabilities measured at amortised cost</b>                              | <b>13,067</b>        | <b>8,385</b>         |
| <b>Total financial liabilities</b>   | <b>13,301</b>        | <b>10,124</b>        |
| <b>Net financial liabilities</b>   | <b>4,220</b>         | <b>2,701</b>         |
| <b>Non financial assets and financial liabilities not within the scope of IAS 39</b> |                      |                      |
| Property, plant and equipment  | 2,702                | 1,940                |
| Goodwill   | 5,809                | 5,316                |
| Other intangible assets  | 7,095                | 2,133                |
| Inventories  | 3,529                | 2,052                |
| Prepayments and accrued income   | 325                  | 205                  |
| Social security and other taxes  | (256)                | (261)                |
| Current tax payable  | (633)                | (851)                |
| Deferred tax liabilities   | (1,562)              | (122)                |
|  | <b>17,009</b>        | <b>10,412</b>        |
| <b>Total equity</b>  | <b>12,789</b>        | <b>7,711</b>         |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**28 Financial instruments - continued**

**Financial assets**

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

- The amounts derived from these assets and included as interest income in the income statement are £7,000 (2011 £7,000)
- Cash and cash equivalents are principally denominated in sterling and earn interest at floating rates
- There is no material difference between the book and fair values of the financial assets
- At 31 December 2012 the group had trade receivables denominated in foreign currency as follows US\$ - £511,000 (2011 £217,000) and Euros - £472,000 (2011 £318,000)

**Financial liabilities**

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

- The costs attributable to these liabilities and included as interest expense in the income statement amounted to £319,000 (2011 £195,000), as analysed in note 10. Foreign exchange gains attributable to bank loans (see below) and included as operating costs in the income statement amounted to £78,000 (2011 loss £3,000), this approximately equates to the foreign exchange gains arising in the subsidiary companies whose currency exposure the foreign exchange bank loans are designed to hedge
- A proportion of the bank loans are denominated in foreign currencies to provide a hedge against currency risk on group assets, as described in note 22

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**29 Risk management objectives and policies**

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

**Foreign currency sensitivity**

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

**31 December 2012**

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

**31 December 2011**

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

Following approval of the 2013 budget, the group sought to mitigate the impact of currency fluctuations on trading performance in that year. This was achieved by entering into forward exchange contracts to sell US\$16 million and €12 million and options to sell a further US\$16 million and €12 million, all at pre-determined exchange rates. The fair value of these financial instruments was not material at 31 December 2012 and has therefore not been recognised in these accounts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**29. Risk management objectives and policies - continued**

**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. During the year the group also entered into an interest rate swap at a pre-determined rate. The fair value of these financial instruments was not material at 31 December 2012 and has therefore not been recognised in these accounts. The group's sensitivity to interest rate changes is as follows:

|   | <b>2012</b>  | 2011  |
|---|--------------|-------|
|   | <b>£000</b>  | £000  |
| Unhedged bank loans outstanding at year-end                 | <b>581</b>   | 4,684 |
| Impact on pre-tax profits of a 1% change in LIBOR           | <b>6</b>     | 47    |
| Impact on equity of a 1% change in LIBOR                    | <b>5</b>     | 35    |
| Surplus funds at year-end                                   | <b>5,418</b> | 3,954 |
| Impact on pre-tax profits of a 1% change in bank base rates | <b>54</b>    | 39    |
| Impact on equity of a 1% change in bank base rates          | <b>41</b>    | 29    |

**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:

|                             | <b>2012</b>  | 2011  |
|-----------------------------|--------------|-------|
|                             | <b>£000</b>  | £000  |
| Cash and cash equivalents   | <b>5,418</b> | 3,954 |
| Trade and other receivables | <b>3,663</b> | 3,469 |
|                             | <b>9,081</b> | 7,423 |

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 2012, one counterparty owed more than 10% of the group's total trade and other receivables, being the China agent of Fire Testing Technology Limited (11.9%) (2011: none).

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**29. Risk management objectives and policies - continued**
**Liquidity risk**

The group's longer-term financing needs, principally in respect of business acquisitions, are satisfied by bank loans, with the objective of servicing repayments from the cash flow arising from the businesses acquired. Following the acquisition of Global Digital Systems Limited in March 2012, the group raised £2.8 million (net) through a placing of 500,000 new Ordinary shares to restore its financial capacity to complete further acquisitions in the future. For short and medium term financial needs, the group regularly compares its projected requirements with available cash and borrowing facilities; the directors continue to augment existing cash surpluses with overdraft facilities amounting to £3.8 million at 31 December 2012 (31 December 2011: £500,000) none of which was outstanding at either date.

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

**Price risk**

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

|  | <b>2012</b> | 2011  |
|--|-------------|-------|
|  | <b>£000</b> | £000  |
| Operating profit including exceptional items           | <b>633</b>  | 3,074 |
| Impact on pre-tax profits of a 10% rise in share price | <b>(26)</b> | (227) |

**30. Operating lease commitments**

|   | <b>2012</b> | 2011 |
|---|-------------|------|
|   | <b>£000</b> | £000 |
| <b>Operating lease payments expensed during the year:</b> |             |      |
| Land and property   | <b>270</b>  | 249  |
| Vehicles  | <b>22</b>   | 24   |
|   | <b>292</b>  | 273  |
| <b>Minimum operating lease commitments falling due:</b>   |             |      |
| Within one year – Land and property                       | <b>275</b>  | 199  |
| Within one year – Vehicles                                | <b>22</b>   | 14   |
|   | <b>297</b>  | 213  |
| Between one and five years – Land and property            | <b>346</b>  | 224  |
| Between one and five years – Vehicles                     | <b>53</b>   | 25   |
|   | <b>399</b>  | 249  |
| <b>Total commitment</b>                                   | <b>696</b>  | 462  |

Land and property leases represent operating sites leased at East Grinstead, Laughton, Ashford, Ringmer, Wokingham and Hook. The earliest exits from these leases fall during May 2016, February 2014, March 2015, June 2013, December 2016 and August 2014 respectively.

**JUDGES SCIENTIFIC plc****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012****31. Acquisition of Global Digital Systems Limited**

On 6 March 2012 the company acquired the entire issued share capital of Global Digital Systems Limited ("GDS"), a company based in the UK. The total cost of acquisition, all of which was paid in cash, includes the components stated below

| <b>Consideration</b>   | <b>£000</b>  |
|--|--------------|
| Payment to vendors   | 7,650        |
| Gross cash inherited on acquisition  | 1,378        |
| Cash retained in the business  | (1,006)      |
| Payment to vendors in respect of surplus working capital (paid in July 2012) | 372          |
| <b>Total consideration transferred</b>                                       | <b>8,022</b> |
| Acquisition-related transaction costs charged in the income statement        | 411          |

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

|  | <b>Pre-<br/>acquisition<br/>carrying<br/>amount<br/>£000</b> | <b>Adjustment<br/>to fair value<br/>£000</b> | <b>Recognised<br/>at<br/>acquisition<br/>date<br/>£000</b> |
|--|--|--|--|
| Property, plant and equipment                  | 48   | -  | 48   |
| Intangible assets                              | -  | 7,957  | 7,957  |
| Inventories                                    | 896  | -  | 896  |
| Trade and other receivables                    | 591  | -  | 591  |
| Cash and cash equivalents                      | 1,378  | -  | 1,378  |
| <b>Total assets</b>                            | <b>2,913</b>   | <b>7,957</b>                                 | <b>10,870</b>  |
| Deferred tax liabilities                       | (3)  | (1,989)                                      | (1,992)  |
| Trade payables                                 | (1,197)  | -  | (1,197)  |
| Current tax liability                          | (151)  | -  | (151)  |
| <b>Total liabilities</b>                       | <b>(1,351)</b>   | <b>(1,989)</b>                               | <b>(3,340)</b>   |
| <b>Net identifiable assets and liabilities</b> | <b>1,562</b>   | <b>5,968</b>                                 | <b>7,530</b>   |
| Goodwill arising on acquisition                |  |  | 492  |
| <b>Total cost of acquisition</b>               |  |  | <b>8,022</b>   |

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

The figures described below include interest charges that have been incurred by the company as a result of this acquisition

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**31. Acquisition of Global Digital Systems Limited - continued**

The acquisition of GDS resulted in a profit after tax (before exceptional items) attributable to equity holders of the parent company of £853,000 in the 43 weeks from 6 March 2012 to 31 December 2012. After amortisation of intangible assets, the contribution to the equity holders of the parent company's results amounted to a loss of £651,000 after tax.

If GDS had been acquired on 1 January 2012, based on pro-forma 2011 results, revenue for the group for the period to 31 December 2012 would have increased by £873,000 and profit after tax attributable to equity holders of the parent company would have increased by £118,000 after allowing for interest costs but before charging amortisation of intangible assets (a reduction of £104,000 after charging additional amortisation of intangible assets of £222,000).

**32. Acquisition of certain assets and the trade of KE Developments Limited**

On 6 March 2012, the company's indirect subsidiary, Deben UK Limited ("Deben") acquired certain assets and the trade of KE Developments Limited ("KED"), a company based in the UK.

KED was based in Toft, Cambridgeshire and, like Deben, designs and manufactures accessories for electron microscopy. Management transferred KED's business operations to Deben's premises in Woolpit, Suffolk, and all of KED's employees were offered the opportunity to continue their employment at Deben.

Deben purchased KED's fixed assets for £40,000 being their fair value and will make a contingent goodwill payment capped at £300,000 based on the existing customer relationships, as disclosed in note 16. The payment, spread over a period of five years, will be determined by the sales of the business post completion. In the year to 31 December 2012 this goodwill amounted to £82,000 before tax. In the year to 30 June 2011, KED's sales totalled £975,000 and normalised profit was around break-even.

Acquisition-related transaction costs charged in the income statement amounted to £33,000.

**JUDGES SCIENTIFIC plc**  
**PARENT COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

## JUDGES SCIENTIFIC plc

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JUDGES SCIENTIFIC plc

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We have audited the parent company financial statements of Judges Scientific plc for the year ended 31 December 2012 which comprise the parent company balance sheet and notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **Respective responsibilities of directors and auditors**

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

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

#### **Matters on which we are required to report by exception**

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

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

#### **Other matter**

We have reported separately on the consolidated financial statements of Judges Scientific plc for the year ended 31 December 2012.




Paul Houghton  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
East Midlands  
21 March 2013

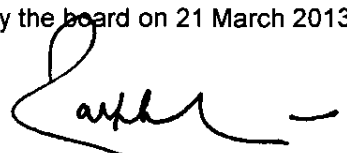
**JUDGES SCIENTIFIC plc****PARENT COMPANY BALANCE SHEET  
AS AT 31 DECEMBER 2012**

|  | Note | 2012<br>£000  | 2011<br>£000  |
|--|------|---------------|---------------|
| <b>Fixed assets</b>  |      |               |               |
| Tangible assets  | 3    | 1,540         | 1,016         |
| Investments in subsidiaries                                    | 4    | 16,535        | 8,361         |
|  |      | <u>18,075</u> | <u>9,377</u>  |
| <b>Current assets</b>  |      |               |               |
| Debtors  | 5    | 2,294         | 1,656         |
| Cash in hand and at bank                                       |      | 1,838         | 724           |
|  |      | <u>4,132</u>  | <u>2,380</u>  |
| <b>Creditors: amounts falling due within one year</b>          | 6    | (1,605)       | (1,206)       |
|  |      | <u>2,527</u>  | <u>1,174</u>  |
| <b>Net current assets</b>                                      |      |               |               |
|  |      | <u>2,527</u>  | <u>1,174</u>  |
| <b>Total assets less current liabilities</b>                   |      | <b>20,602</b> | <b>10,551</b> |
| <b>Creditors: amounts falling due after more than one year</b> | 7    | (3,973)       | (1,634)       |
|  |      | <u>16,629</u> | <u>8,917</u>  |
| <b>Total net assets</b>  |      |               |               |
|  |      | <u>16,629</u> | <u>8,917</u>  |
| <b>Capital and reserves</b>                                    |      |               |               |
| Called up share capital  | 9    | 265           | 214           |
| Share premium  | 10   | 6,467         | 3,195         |
| Capital redemption reserve                                     | 10   | 22            | 3             |
| Profit and loss account  | 10   | 9,875         | 5,505         |
|  |      | <u>16,629</u> | <u>8,917</u>  |
| <b>Shareholders' funds</b>                                     | 10   | <b>16,629</b> | <b>8,917</b>  |

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 2013

  
D E Cicurel  
Director

  
R L Cohen  
Director

## JUDGES SCIENTIFIC plc

### NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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#### 1. General information

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

#### 2. Accounting policies

##### 2.1 Tangible fixed assets

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

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

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

##### 2.2 Investments

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

##### 2.3 Taxation

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

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

##### 2.4 Pensions

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

##### 2.5 Share-based payments

FRS 20 has been applied, where the effect is material, to equity-settled share options granted on or after 7 November 2002 and not vested prior to 1 January 2006. The Black Scholes valuation model is used and, up to 31 December 2012, has indicated that no material adjustment to results is required. The impact of a material adjustment would be reflected in the accounts of any affected subsidiary company.

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

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

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

**JUDGES SCIENTIFIC plc****NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012****2. Accounting policies – continued****2.6 Foreign currencies**

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

**2.7 Convertible Redeemable shares**

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

**3. Tangible assets**

**Property**  
**£000**

**Cost**

1 January 2012

**1,045**

Additions

**532**

31 December 2012

**1,577****Depreciation**

1 January 2012

**29**

Charge

**8**

31 December 2012

**37****Net book value - 31 December 2012****1,540**

Net book value - 31 December 2011

**1,016****4. Investments in subsidiaries**

**2012**  
**£000**

**2011**  
**£000**

**Cost**

1 January

**8,361**

7,834

Addition – acquisition of Global Digital Systems Ltd (note 13)

**8,174**

527

31 December

**16,535**

8,361



**NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**
**4. Investments in subsidiaries – continued**

The group's trading subsidiaries at 31 December 2012, all of which were incorporated and operate in the United Kingdom, were as follows

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

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

**JUDGES SCIENTIFIC plc****NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

| <b>5 Debtors</b>                | <b>2012</b>  | <b>2011</b>  |
|---------------------------------|--------------|--------------|
|                                 | <b>£000</b>  | <b>£000</b>  |
| Amounts owed by group companies | <b>2,174</b> | 1,620        |
| Corporation tax                 | <b>5</b>     | -            |
| Prepayments and accrued income  | <b>115</b>   | 36           |
|                                 | <b>2,294</b> | <b>1,656</b> |

Included in amounts owed by group companies are

- the sum of £294,000 (2011 £244,000) which is repayable on demand at any time after 30 June 2014 provided that all liabilities to third parties falling due on or before that date have been met, and
- a loan to Fire Testing Technology Limited, made during 2010 to finance the acquisition of Sircal Instruments (UK) Limited, amounting to £1,316,000 at 31 December 2012 (2011 £1,316,000)  
This loan is unsecured, repayable on demand and bears interest at the rate of 7.5% per annum

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

| <b>6. Creditors: amounts falling due within one year</b> | <b>2012</b>  | <b>2011</b>  |
|--|--------------|--------------|
|  | <b>£000</b>  | <b>£000</b>  |
| Trade and other payables                                 | <b>30</b>    | 45           |
| Amounts owed to group companies                          | <b>151</b>   | -            |
| Accruals and deferred income                             | <b>210</b>   | 162          |
| Social security and other taxes                          | <b>47</b>    | 88           |
| Current portion of bank loans                            | <b>1,166</b> | 900          |
| Other creditors  | <b>1</b>     | 11           |
|  | <b>1,605</b> | <b>1,206</b> |

Other creditors comprise £521 (2011 £10,682) of non equity shares classed as financial liabilities (see note 25 to the consolidated financial statements)

## JUDGES SCIENTIFIC plc

### NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

| 7. Creditors' amounts falling due after more than one year | 2012<br>£000 | 2011<br>£000 |
|--|--------------|--------------|
| Bank loans   | <u>3,973</u> | <u>1,634</u> |

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

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

The repayment profile of borrowings is as follows

|                               | Bank<br>loan<br>£000 |
|-------------------------------|----------------------|
| Repayable in less than 1 year | 1,404                |
| Repayable in years 1 to 5     | <u>4,341</u>         |
|                               | 5,745                |
| Less interest included above  | <u>606</u>           |
|                               | <u>5,139</u>         |

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 2012 of loans denominated in US\$ was £984,000 (2011 £772,000) and in Euros was £1,460,000 (2011 £893,000). These amounts are included in the figures above for bank loans, repayable in years 1 to 5.

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

The parent company has a contingent liability in respect of its cross-guarantees of bank overdraft facilities made available to it and its subsidiary companies amounting in aggregate to £3.8 million, none of which was outstanding at 31 December 2012.

#### 8. Taxation

The parent company had unrelieved tax losses at 31 December 2012 of £173,000 (2011 £192,000). The ability to utilise these losses is significantly affected by unpredictable factors. The company has therefore not recognised a deferred tax asset (2012 £40,000, 2011 £48,000) in respect of these losses as it cannot be considered probable that taxable profits will be available in the near term against which they can be utilised. However, they are available to be offset against future profits of the parent company.

## JUDGES SCIENTIFIC plc

### NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

#### 9. Share capital

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

#### 10. Statement of movements in shareholders' funds

|   | Share capital | Share premium account | Capital Redemption Reserve | Profit and loss account | Total shareholders' funds |
|---|---------------|-----------------------|----------------------------|-------------------------|---------------------------|
|   | £000          | £000                  | £000                       | £000                    | £000                      |
| 1 January 2012  | 214           | 3,195                 | 3                          | 5,505                   | 8,917                     |
| Profit for the year   | -             | -                     | -                          | 5,413                   | 5,413                     |
| Shares issued in the year   | 51            | 3,272                 | -                          | -                       | 3,323                     |
| Arising on conversion and redemption of Convertible Redeemable shares | -             | -                     | 19                         | (456)                   | (437)                     |
| Dividends paid in the year  | -             | -                     | -                          | (587)                   | (587)                     |
| <b>31 December 2012</b>   | <b>265</b>    | <b>6,467</b>          | <b>22</b>                  | <b>9,875</b>            | <b>16,629</b>             |

The profit for the financial year in the accounts of the parent company amounted to £5,413,000 (2011 £1,812,000)

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

#### 11. Related party transactions

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

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

Dividends paid in the year to directors who hold shares amounted to £108,000 in aggregate (2011 £57,000).

**JUDGES SCIENTIFIC plc****NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

| <b>12 Directors and employees</b>   | <b>2012<br/>£000</b> | <b>2011<br/>£000</b> |
|---|----------------------|----------------------|
| <b>Total directors' emoluments</b>  |                      |                      |
| Emoluments  | <b>530</b>           | 490                  |
| Defined contribution pension scheme contributions   | <b>7</b>             | 12                   |
|   | <b>537</b>           | 502                  |
| <br><b>Emoluments of the highest paid director</b>  |                      |                      |
| Emoluments  | <b>166</b>           | 153                  |
| <br>During the year, two directors participated in a defined contribution pension scheme (2011 two) |                      |                      |
|   | <b>no.</b>           | <b>no</b>            |
| <b>Employees</b>  |                      |                      |
| Number of directors   | <b>6</b>             | 6                    |
| Administrative staff  | <b>2</b>             | 2                    |
| Total   | <b>8</b>             | 8                    |

**13. Acquisition of Global Digital Systems Limited**

On 6 March 2012 the company acquired the entire issued share capital of Global Digital Systems Limited ("GDS"), a company based in the UK and engaged in the design and manufacture of instruments used to test the physical properties of soil and rocks. The total cost of acquisition, all of which was paid in cash, amounted to £8,174,000. Included in the cost of acquisition is £152,000 which was capitalised in these financial statements under UK GAAP but expensed in the consolidated figures under IFRS. Further details of the transaction are set out in note 31 to the consolidated financial statements.

**Judges Scientific plc**  
**Unit 19, Charlwoods Road**  
**East Grinstead**  
**West Sussex RH19 2HL**  
**Tel: 01342 323600**  
**Fax: 01342 323608**  
**Website: [www.judges.uk.com](http://www.judges.uk.com)**  
**E-mail: [enquiries@judges.uk.com](mailto:enquiries@judges.uk.com)**