

JUDGES SCIENTIFIC plc

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009



JUDGES SCIENTIFIC plc

COMPANY INFORMATION

Directors

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

Company Secretary

Ralph Leslie Cohen

Registered Office

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Registrar

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Nominated Adviser

Shore Capital and Corporate Ltd
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Stockbroker

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

Auditor

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

Principal Bankers

Bank of Scotland
2nd Floor, 125 Colmore Row
Birmingham B3 3SF

Solicitors

Faegre & Benson LLP
7 Pilgrim Street
London EC4V 6LB

Registered in England and Wales, Company No. 4597315

JUDGES SCIENTIFIC plc

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JUDGES SCIENTIFIC plc

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

I am pleased to report your Company's preliminary results for the year to 31 December 2009. Revenues advanced from £7.1 million in 2008 to £11.3 million, an increase of 59% (or 20% excluding the impact of the acquisition of Quorum). Profit before tax and minorities but adjusted to exclude amortisation of intangible assets (and also, in respect of 2008, gains on disposals of investments and abortive acquisition costs) rose by 30% from £1.21 million in 2008 to a record £1.57 million in 2009. Basic earnings per share, similarly adjusted, rose from 21 p to 28 p. Unadjusted profit before tax and minorities amounted to £1.16 million (2008: £0.87 million). This equates to unadjusted basic earnings per share of 20.6 p (2008: 14.7 p).

Corporate activity

We continued to pursue our stated strategy of seeking acquisition opportunities in the instrumentation sector and were pleased to announce the acquisition on 9 June 2009 of Quorum Technologies Limited. Quorum specialises in the design and manufacture of instruments that prepare samples for examination under electron microscopes. The purchase price amounted to £1.2 million before taking account of a potential £300,000 capped earn-out and a payment of £465,000 in respect of cash in the business in excess of ongoing requirements.

Between completion of the acquisition on 9 June 2009 and the end of the year, Quorum generated sales of £2.7 million and an adjusted EBIT contribution of £234,000. The unadjusted pre-tax contribution was a negative £164,000, reflecting the particularly heavy write-offs of intangible assets in the months immediately after completion, as required under IFRS accounting rules.

On 18 March 2010, the Group acquired Sircal Instruments (UK) Limited, a company which designs, manufactures and distributes rare gas purifiers for use in metals analysis.

The basic consideration for the purchase was £1 million, payable in cash and financed by an additional bank loan. Sircal's most recent annual financial statements showed sales of £785,000. Your directors believe that, had the business been owned by Judges during that period, it would have generated a contribution in the order of £270,000 before tax and amortisation of intangible assets.

Trading

The exceptional order book at the close of 2008, together with favourable exchange rates, provided a positive backdrop to a robust trading performance which continued throughout 2009. Those subsidiaries of the Company that predominantly service the public sector enjoyed particular strength and the more difficult trading conditions experienced within our private sector activities gave way to a distinct revival towards the end of the year.

The post-acquisition contribution from Quorum has been in line with expectations and we are pleased to report a healthy order intake for this business since completion. Elsewhere, order intake was less exuberant than in 2008; we attribute the buoyancy of the last four months of that year to an acceleration of orders which would have materialised later but for the implications of the world economic downturn. In the wake of this, our order book at the end of 2009 represented 11 weeks of sales, similar to the level that prevailed in December 2007.

Although your Company has a clear acquisition strategy, we are also mindful of the need to nurture our existing businesses and it is therefore gratifying to be able to highlight the 20% increase in revenues from continuing operations. In recognition of the importance of this approach, we welcomed David Barnbrook to the Board of Judges Scientific plc at the beginning of 2009 as Chief Operating Officer. He is responsible for supporting and coordinating the operations of our existing business segments and for absorbing new acquisitions into the Group.

This focus on our growing operations has allowed us to report a highly creditable Return On Total Invested Capital in 2009 of 40% (2008: 33%).

JUDGES SCIENTIFIC plc

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

Financial position

The solid trading performance in 2009 has enabled the Group to maintain adjusted net debt at £1 million, the same level as at 31 December 2008, despite the Quorum acquisition. Unadjusted net debt (ignoring the capped earn-out on the Quorum acquisition) stood at £0.7 million. Year-end cash balances amounted to £2.5 million (2008: £1.6 million), impacted by the refinancing of our term loan at the time of the Quorum transaction, when £1.6 million of outstanding debt was repaid and a new five-year term loan of £3 million was negotiated. As usual, a significant proportion of our debt is denominated in foreign currency to hedge against the impact of exchange rate fluctuations on our export activities.

Dividends

Your Board is pleased to recommend a final dividend of 3.7p per share (2008: 2.4p per share) which, subject to approval at the forthcoming Annual General Meeting on 25 May 2010, will make a total distribution of 5p per share for 2009 (2008: 3.6p per share). Despite the increase, this is still covered 5.6 times by adjusted earnings per share, the same factor as for 2008.

The proposed final dividend will be payable on 2 July 2010 to shareholders on the register on 4 June 2010 and the shares will go ex-dividend on 2 June 2010.

Current trading and prospects

The Group is in a healthy position with resilient businesses, modest gearing, favourable exchange rates and good visibility, courtesy of its current order book. A full year's contribution from Quorum and nine months' input from Sircal will help to underwrite the Group's ongoing development. Although the current year has started positively, the global economic environment remains uncertain and our acquisition policy will remain focused on prudent earnings-enhancing transactions and the avoidance of excessive debt.

Personnel

I would like to take this opportunity on behalf of the Board to thank all the Group's executives and employees for their exemplary and sustained achievements which have found due reflection in 2009's record results.



Alex Hambro
Chairman
Date: 25 March 2010

JUDGES SCIENTIFIC plc

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and financial statements for the year ended 31 December 2009

Principal activities

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

Business review

Order inflows in the last weeks of 2008 were abnormally high and most of the group's subsidiaries felt the beneficial effects of this on their trading performance for much of 2009. By contrast, order inflows at the end of 2009 followed more normal patterns. The directors consider that the group's businesses have shown great resilience at a time of severe economic pressure but that the high profitability of 2009 must be regarded as unusual.

The company's business model calls for a steady increase in the scope of its operations, achieved 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 before interest, tax and amortisation ("EBITA") with the investment in property, plant and equipment, intangibles and net current assets (excluding surplus cash). In 2009, the overall return computed in this manner amounted to 40.3%, before taking account of parent company costs (other than foreign exchange losses resulting from the hedging of subsidiary companies' equivalent exposure) – (2008 33.5%)

- **Acquisitions:** the directors reported the acquisition on 9 June 2009 of Quorum Technologies Limited ("Quorum"). Quorum specialises in the design and manufacture of instruments that prepare samples for examination under electron microscopes. Its trading performance since the acquisition has been entirely satisfactory. It is regarded as paramount that acquisitions are completed only when the directors are satisfied that the target business has sound long-term strength.
- **Post Balance Sheet Event – Acquisition:** on 18 March 2010, the company's subsidiary, Fire Testing Technology Limited ("FTT"), acquired the entire issued share capital of Sircal Instruments (UK) Limited ("Sircal"), a company which designs, manufactures and distributes rare gas purifiers for use in metals analysis. Further information is set out in note 33 to the consolidated financial statements.
- **Ongoing performance:** the directors regard the trend of adjusted earnings per share, reduction in net debt and the company's ability to pay dividends to its shareholders as key indicators of overall group performance. Adjusted undiluted earnings per share rose from 21.1p in 2008 to 28.0p in 2009, 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, adjusted to include deferred consideration potentially payable in respect of the Quorum acquisition, remained steady at £1 million at 31 December 2009, the same level as the year before, despite the financing during 2009 of the acquisition of Quorum. Dividends totalling 5p per share (2008 3.6p) will be recommended in respect of 2009 (including those that have already been paid at the interim stage), these are covered 4.1 times by earnings (2008 3.9 times) and 5.6 times in both years by earnings adjusted as set out in note 14 to the financial statements, despite the proposed 39% increase in the dividend.

In addition to these trends and the above "ROTIC" measure for the rate of return on investments, the company measures the performance of its individual subsidiaries in a number of ways.

Sales trends

- sales at Fire Testing Technology ("FTT") rose by 21% in 2009 on the strength of an exceptional inflow of orders in the final weeks of the previous year. Although this experience was not repeated to the same degree at the end of 2009, the company nevertheless entered 2010 with a satisfactory order backlog, at a level consistent with experience in more normal times. Sales at Aitchee Engineering Limited, which are focused on UK-based private sector customers, fell by 13% in 2009, with trading having been weak for the major part of the year. However, a recovery in the last three months was encouraging.
- PE fiberoptics ("PFO") supplies predominantly into private sector telecoms customers, and as a result is more exposed than most of the group's operations to global industrial markets. As a consequence the company experienced particularly difficult trading conditions throughout much of the year. Sales revenue fell by £59,000 in the year, which was also affected by an increase in headcount attributable to research and development activities. However, its order intake lifted significantly in the final weeks of 2009 and it entered 2010 with a record order backlog.

JUDGES SCIENTIFIC plc

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Business review - continued

- sales at UHV Design ("UHV") rose by 29% in 2009 compared with 2008, building further on the substantial gains of recent years. The year-end order backlog was down in comparison with the previous year but compared favourably with experience in earlier years
- Quorum's last annual accounts prior to acquisition showed sales of £4 million. Subsequent to its acquisition, annualised sales have comfortably exceeded this level

Profitability

Excluding Quorum, the group's EBITA margin eased slightly from 19.3% in 2008 to 18.1% in 2009. With Quorum included for the post-acquisition portion of 2009, the group's EBITA margin was 14.9%.

Cash generation and management

Consolidated gross cash flow from operating activities amounted to £2,004,000 (2008: £1,923,000), benefiting from a net reduction in working capital of £306,000 (2008: £521,000). The other material cash flows related to the Quorum acquisition; the group's loans were increased at that time by £1,443,000 as part of the financing of the acquisition. Consolidated net debt at 31 December 2009 amounted to £700,000 (2008: £996,000), a level considered by the directors to reflect encouraging financial strength.

Commercial risks and uncertainties

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.

As regards the group's existing businesses, activities are concentrated in niche markets, serving a worldwide customer base. As such, all the group's exporting subsidiaries are exposed to possible adverse impacts on the international competitiveness of their activities caused by fluctuations in exchange rates. 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 businesses within the group, together with their individual commercial risks and uncertainties, are as follows:

- FTT is the world's major producer of instruments designed to measure the reaction of materials to fire; the long-term growth of the business is supported by the development of related safety regulations internationally and by the globalisation of trade. The activity is supported through the in-house production of engineering parts by its subsidiary company, Aitchee Engineering Limited. The principal risks facing the company's business relate to the degree of funding available to its largely public-sector customer base.
- PFO is a significant provider to the telecoms industry of equipment to test the properties of fibre optic and fibre optic networks. The principal risk derives from the cyclical nature of this sector.
- UHV designs and manufactures instruments to create motion, heating and cooling within ultra high vacuum chambers. It is benefiting from the buoyancy of the high-tech markets which it serves and their requirements for ultra high vacuum products. The directors consider that there is scope to improve the company's output and market share through technical innovation and increased production capability. UHV is engaged in a high level of development work, with the attendant risk of technical failure or delays. The directors seek to mitigate this risk through the quality of the company's technical skills base and through its contractual arrangements with its customers. The degree of funding available to its largely public-sector customer base also represents a risk.
- Quorum designs, manufactures and distributes instruments that prepare samples for examination in electron microscopes. The company is seeking to improve its competitive position through a programme of redesign, modernisation and consolidation of its product ranges. This programme brings with it the risk of technical failure. As with UHV, the directors seek to mitigate this risk through the quality of the company's technical skills base and through its contractual arrangements with its customers. The degree of funding available to its largely public-sector customer base also represents a risk.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Financial risk management objectives and policies

The group utilises financial instruments, other than derivatives, 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 30 to the consolidated financial statements and which are summarised below. The policies have remained unchanged from previous years.

- **Interest rate risk**

The group finances its operations through a mixture of bank borrowings (at floating rates), equity and retained profits. With net debt of just £700,000 at 31 December 2009, exposure to interest rate fluctuations is not considered to be a major threat to the group.

- **Liquidity risk**

The group seeks to manage liquidity risk by ensuring 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.

- **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.

- **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 in whole or in part 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.

Capital management objectives

The group monitors capital on the basis of carrying amount of equity, less cash and cash equivalents as presented on the face of the balance sheet. Judges Scientific manages the capital structure and makes 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' 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 the recent 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 2009 and overall the group enjoys good visibility for 2010, 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 2009 in excess of £2.5 million and net debt of just £700,000 (£1 million adjusted to include the possible capped earn-out on the Quorum acquisition). As a consequence, the directors believe that the parent company and 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.

JUDGES SCIENTIFIC plc

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Results and dividends

The results for the financial year to 31 December 2009 are set out in the Income Statement. The company paid an interim dividend of 1.3p per Ordinary share on 6 November 2009. At the forthcoming Annual General Meeting, the directors will recommend payment of a final dividend for the year of 3.7p per Ordinary share to be paid on Friday 2 July 2010 to shareholders on the register on Friday 4 June 2010. The shares will go ex-dividend on Wednesday 2 June 2010.

Directors

The following directors have held office during the year

Hon AR Hambro¹ - non-executive
Mr DE Cicurel
Mr D Barnbrook
Mr RL Cohen
Mr RJ Elman¹ - non-executive
Mr GC Reece¹ - non-executive

¹ Member of the audit and remuneration committees

Directors' interests

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

	Ordinary of 5p each			
	31 December 2009		1 January 2009	
	Shares	Options	Shares	Options
Hon AR Hambro	100,000		25,000	
Mr DE Cicurel*	526,356	-	526,356	-
Mr D Barnbrook	15,000	50,000	12,500	40,000
Mr RL Cohen	10,000	67,000	10,000	57,000
Mr RJ Elman	75,791	-	45,791	-
Mr GC Reece	3,000	-	3,000	-

* Held by David Cicurel Securities Limited, except for 40 shares held directly

Details of share options are set out in note 25 to the financial statements.

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

	Convertible Redeemable of 1p each (quarter-paid)			
	31 December 2009		1 January 2009	
	Shares		Shares	
Hon AR Hambro	468,751		416,667	
Mr DE Cicurel*	4,166,667		4,166,667	
Mr D Barnbrook	52,083		-	
Mr RL Cohen	52,083		-	
Mr RJ Elman	260,416		208,333	
Mr GC Reece	-		208,333	

* Held by David Cicurel Securities Limited

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

Directors' interests - continued

The conversion terms of the Convertible Redeemable shares are detailed in note 26 to the financial statements. Following a full conversion of the Convertible Redeemable shares to Ordinary shares, the directors' interests in the enlarged share capital of the company as at 31 December 2009 would have been as follows:

	<i>Ordinary Shares</i>
Hon AR Hambro	151,657
Mr DE Cicurel	985,524
Mr D Barnbrook	20,740
Mr RL Cohen	15,740
Mr RJ Elman	104,489
Mr GC Reece	3,000

There is a deemed Concert Party including David Cicurel and others which holds 27.7% of the Ordinary share capital. The company had intended to seek shareholder approval as it last did in 2008 for a share buyback authority and associated Takeover Panel 'whitewash' in relation to any requirement on the Concert Party to make an offer pursuant to Rule 9 of the City Code on Takeovers and Mergers following any buy-back of ordinary shares pursuant to the authority, however, this project was suspended as the directors considered at the time that the costs outweighed the perceived benefits of proceeding. Existing authorities remain in place to cover any conversion by members of the Concert Party of their Convertible Redeemable shares.

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 27 days (2008: 22 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). The financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of 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 estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards or IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

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.

JUDGES SCIENTIFIC plc

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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
25 March 2010

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 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes 1 to 33. 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 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/UKNP.

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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 2009.

Grant Thornton UK LLP

Paul Houghton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
25 March 2010

JUDGES SCIENTIFIC plc

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 Continuing activities £000	2009 Acquisitions £000	2009 Total £000	2008 Total £000
Revenue	7	8,546	2,749	11,295	7,104
Abortive acquisition costs		-	-	-	(310)
Other operating costs, excluding amortisation of intangible assets	8	(7,098)	(2,515)	(9,613)	(5,753)
Operating profit before amortisation of intangible assets		1,448	234	1,682	1,041
Amortisation of intangible assets	17	(17)	(398)	(415)	(53)
Operating profit/(loss) after amortisation of intangible assets	7	1,431	(164)	1,267	988
Profit on disposal of available-for-sale investments				-	21
Interest receivable	11			3	48
Interest payable	11			(110)	(188)
Profit before tax				1,160	869
Taxation	12			(325)	(230)
Profit and total comprehensive income for the year				835	639
Attributable to:					
Equity holders of the parent company				832	567
Minority interest				3	72
Earnings per share – total and continuing					
Basic	14			20 6p	14 7p
Diluted	14			20 0p	14 7p

There are no items of other comprehensive income for the two years in question. There were no acquisitions in the 2008 financial year.

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

JUDGES SCIENTIFIC plc

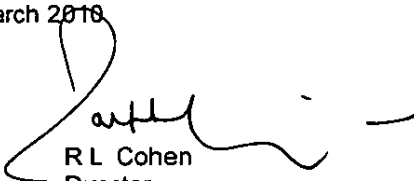
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

		2009	2008
	Note	£000	£000
ASSETS			
Non-current assets			
Property, plant and equipment	15	921	861
Goodwill	16	4,497	4,383
Other intangible assets	17	594	23
		<u>6,012</u>	<u>5,267</u>
Current assets			
Inventories	18	1,241	672
Trade and other receivables	19	1,803	1,364
Cash and cash equivalents		2,540	1,621
		<u>5,584</u>	<u>3,657</u>
Total assets		<u>11,596</u>	<u>8,924</u>
LIABILITIES			
Current liabilities			
Trade and other payables	20	(2,197)	(1,337)
Current portion of long-term borrowings	21	(650)	(625)
Current tax payable		(638)	(292)
		<u>(3,485)</u>	<u>(2,254)</u>
Non-current liabilities			
Long-term borrowings	22	(2,590)	(1,992)
Deferred tax liabilities	24	(188)	(34)
		<u>(2,778)</u>	<u>(2,026)</u>
Total liabilities		<u>(6,263)</u>	<u>(4,280)</u>
Net assets		<u>5,333</u>	<u>4,644</u>
EQUITY			
Share capital	25	202	202
Share premium account		2,959	2,956
Merger reserve		475	475
Retained earnings		1,532	849
Equity attributable to equity holders of the parent company		<u>5,168</u>	<u>4,482</u>
Minority interest		165	162
Total equity		<u>5,333</u>	<u>4,644</u>

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

The financial statements were approved by the board on 25 March 2010


D E Cicurel
Director


R L Cohen
Director

JUDGES SCIENTIFIC plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total** £000	Minority interest £000	Total equity £000
Balance at 1 January 2009		202	2,956	475	849	4,482	162	4,644
Dividends	13	-	-	-	(149)	(149)	-	(149)
Issue of share capital		-	3	-	-	3	-	3
Transactions with owners		-	3	-	(149)	(146)	-	(146)
Profit for the year		-	-	-	832	832	3	835
Total comprehensive income for the year		-	-	-	832	832	3	835
Balance at 31 December 2009		202	2,959	475	1,532	5,168	165	5,333
Balance at 1 January 2008		178	2,501	475	410	3,564	121	3,685
Dividends	13	-	-	-	(128)	(128)	(31)	(159)
Issue of share capital		24	455	-	-	479	-	479
Transactions with owners		24	455	-	(128)	351	(31)	320
Profit for the year		-	-	-	567	567	72	639
Total comprehensive income for the year		-	-	-	567	567	72	639
Balance at 31 December 2008		202	2,956	475	849	4,482	162	4,644

** - 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 2009

	2009 £000	2008 £000
Cash flows from operating activities		
Profit after tax	835	639
Adjustments for		
Depreciation	107	81
Amortisation of intangible assets	415	53
Loss on disposal of property, plant and equipment	3	-
Profit on disposal of available-for-sale investments	-	(21)
Foreign exchange (gains)/losses on foreign currency loans	(92)	280
Interest receivable	(4)	(48)
Interest payable	110	188
Tax expense recognised in income statement	325	230
Decrease/(increase) in inventories	144	(118)
Decrease in trade and other receivables	257	179
(Decrease)/increase in trade and other payables	(95)	460
Cash generated from operations	2,005	1,923
Interest paid	(107)	(188)
Tax paid	(401)	(238)
Net cash from operating activities	1,497	1,497
Cash flows from investing activities		
Paid on acquisition of new subsidiary	(1,914)	-
Gross cash inherited on acquisition	889	-
Acquisition of subsidiaries, net of cash acquired	(1,025)	-
Purchase of property, plant and equipment	(125)	(668)
Proceeds from disposal of equipment	1	-
Proceeds from disposal of available-for-sale investments	-	40
Interest received	4	48
Net cash used in investing activities	(1,145)	(580)
Cash flows from financing activities		
Proceeds from issue of share capital	3	479
Repayments of borrowings (including hire purchase contracts)	(730)	(527)
Proceeds from bank loans	1,443	-
Dividends paid to equity holders of the parent company	(149)	(127)
Dividends paid to minority shareholders of subsidiary companies	-	(31)
Net cash from/(used in) financing activities	567	(206)
Net increase in cash and cash equivalents	919	711
Cash and cash equivalents at beginning of year	1,621	910
Cash and cash equivalents at end of year	2,540	1,621

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 2009

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 2009

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,
- the directors must judge whether future profitability is likely in making the decision whether or not to create a deferred tax asset (see note 24)

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 24),
- estimates are required as to intangible asset carrying values 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 16 and 17)

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

5 Changes in accounting policies

5.1 Standards adopted for the first time

The Group has adopted IAS 1 *Presentation of Financial Statements (Revised 2007)* in its consolidated financial statements, and it has been applied retrospectively. The adoption of the standard does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income.

IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. A 'Statement of recognised income and expenses (SORIE)' is no longer required. Further, a 'Statement of changes in equity' is presented as a primary statement. IAS 1 (Revised 2007) requires presentation of a comparative balance sheet as at the beginning of the first comparative period, in some circumstances. The directors consider that this is not necessary this year because the 2007 balance sheet is the same as that previously published.

The group has adopted IFRS 8 *Operating Segments*, which replaces IAS 14 *Segment Reporting*. The Standard has been applied retrospectively. Generally, financial information is reported under IFRS 8 on the same basis as is used internally to enable the chief operating decision maker (the board of directors) to evaluate operating segment performance and to decide how to allocate resources to operating segments. In contrast, IAS 14 required the group to identify two sets of segments (business and geographical) based on risks and rewards of the operating segments. The principal change is that segment performance is now reported by reference to its contribution to group earnings before interest, tax and amortisation of goodwill and intangible assets. Segment information is set out in note 7.

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. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

IFRS 3 *Business Combinations* (Revised 2008) (effective from 1 July 2009)

The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on any business combinations occurring in future reporting periods. In particular, transaction costs must be expensed in the Income Statement rather than previously when these were capitalised and dealt with as part of the acquisition accounting.

IAS 27 *Consolidated and Separate Financial Statements* (Revised 2008) (effective from 1 July 2009)

The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the Group's financial statements.

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009. 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 purchase method. The purchase 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.

The parent company is entitled to the merger relief 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 is recognised immediately after acquisition in the income statement.

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

6.4 Revenue

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

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods and effective control over them, generally on despatch or delivery,
- 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.

Installation revenues are deferred and held on the balance sheet within trade and other payables pending recognition as revenue on completion of installation. 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.

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 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	Between 2 and 3 years
Non-competition agreements	5 years
Distribution agreements	3 years
Research and development	5 years
Sales order backlog	On shipment
Advertising	1 year
Domain names	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
• 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	20% straight-line on cost

Material residual value estimates are updated as required but at least annually.

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

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

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

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

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

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 leasing liability. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

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

6.9 Inventories

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

6.10 Taxation

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

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

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

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

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

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

6.11 Share-based payments

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

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

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

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

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

6.12 Financial assets

Financial assets 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 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.

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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.

All financial liabilities with the exception of Convertible Redeemable shares (see paragraph 6.19) 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 loan notes 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.

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

6.14 Cash and cash equivalents

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

6.15 Pensions

Companies in the group operate defined contribution pension schemes for employees and directors. The assets of the schemes are held by investment managers separately from those of the company and 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
- "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 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
- "Minority interest" represents retained profits and losses attributable to minority shareholders in subsidiary companies

6.19 Convertible Redeemable shares

In accordance with IAS 32, the Convertible Redeemable shares have been recorded as a liability at the net proceeds received and the future conversion into Ordinary shares has not been taken into account.

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

7. Segment reporting

7.1 Identification of operating segments

The group's activities are predominantly in or in support of the design and manufacture of scientific instruments. Separate subsidiary companies operate to produce the different ranges of instruments that fall within the group's portfolio and these subsidiaries are considered by the board of directors to constitute the group's operating segments. Fire Testing Technology Limited and Aitchee Engineering Limited are considered to form one operating segment.

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 amortisation of goodwill and intangible assets ("group EBITA"). This is stated before the allocation of head office costs and after elimination of minority 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.

In prior years, segment profits and losses were reported by reference to operating profits, after the allocation of head office costs and before the elimination of minority interest. This change of policy results from the application of IFRS 8 for the first time. Comparative figures have been restated accordingly.

7.4 Segment analysis

Segment analysis is as follows:

2009	Fire testing equipment and engineering parts £000	Fibre optic testing equipment £000	Ultra high vacuum manipulation equipment £000	Sample preparation for electron microscopy £000	Total £000
Consolidated group revenues from external customers	4,844	973	2,729	2,749	11,295
Contributions to group EBITA	1,404	2	706	234	2,346
Depreciation	29	14	47	9	99
Amortisation of intangible assets	13	-	4	398	415
Segment assets	1,049	410	757	1,255	3,471
Segment liabilities	1,236	247	333	820	2,636
Intangible assets - goodwill	3,871	-	512	114	4,497
Other intangible assets	-	-	5	589	594
Additions to non-current assets	49	5	40	1,177	1,271

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

7.4 Segment analysis - continued

2008	Fire testing equipment and engineering parts £000	Fibre optic testing equipment £000	Ultra high vacuum manipulation equipment £000	Total £000
Consolidated group revenues from external customers	4,134	1,032	1,938	7,104
Contributions to group EBITA	1,263	101	635	1,999
Depreciation	25	12	38	75
Amortisation of intangible assets	21	-	32	53
Segment assets	1,321	344	772	2,437
Segment liabilities	1,323	250	410	1,983
Intangible assets - goodwill	3,871	-	512	4,383
Other intangible assets	13		10	23
Additions to non-current assets	21	4	52	77

The geographical analysis of the group's revenues from external customers and its non-current assets (excluding deferred tax assets) are as follows

	2009 Revenue £000	Non- current assets £000	2008 Revenue £000	Non-current assets £000
United Kingdom (domicile)	1,564	6,012	940	5,267
Rest of Europe	4,042	-	2,665	-
United States/Canada	2,157	-	1,577	-
Rest of the world	3,532	-	1,922	-
Total	11,295	6,012	7,104	5,267

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

7.4 Segment results - continued

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

	2009 £000	2008 £000
Contribution to group EBITA		
Total contribution to group EBITA	2,346	1,999
Amortisation of intangible assets	(415)	(53)
Expenses not allocated	(666)	(1,055)
Elimination of minority interest adjustment in contribution to group EBITA	2	97
Operating profit after amortisation of intangible assets	1,267	988
Profit on disposal of available for sale investments	-	21
Interest receivable	3	48
Interest payable	(110)	(188)
Profit before tax	1,160	869
Depreciation		
Total segment depreciation charge	99	75
Head office depreciation not allocated	8	6
Consolidated depreciation charge	107	81
Segment assets and liabilities		
Total segment assets	3,471	2,437
Parent company assets	851	830
Assets eliminated on consolidation	(357)	(369)
Other assets - goodwill	4,497	4,383
- intangible assets	594	22
- cash and cash equivalents	2,540	1,621
Consolidated total assets	11,596	8,924
Total segment liabilities	2,636	1,983
Parent company liabilities	3,672	2,589
Liabilities eliminated on consolidation	(306)	(307)
Other liabilities	83	-
Convertible redeemable shares	12	12
Deferred tax	166	3
Consolidated total liabilities	6,263	4,280

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 which, in 2008, included abortive acquisition costs of £310,000. Parent company assets include £577,000 (2008: £585,000) in respect of a freehold property partly let at open market value to the subsidiary engaged in the manufacture of engineering parts.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

8. Operating costs	2009	2008
	£000	£000
Raw materials and consumables	4,340	2,241
Other external charges	1,488	1,037
Staff costs (note 28)	3,678	2,394
Depreciation	107	81
Other operating costs, excluding amortisation of intangible assets	9,613	5,753
Amortisation of intangible assets	415	53
Other operating costs, including amortisation of intangible assets	10,028	5,806
Abortive acquisition costs	-	310
Total operating costs	10,028	6,116
9. Operating profit	2009	2008
	£000	£000
Operating profit is stated after charging		
Loss on disposal of property, plant and equipment	3	-
Fees payable to the company's auditor		
for the audit of the company's annual accounts	20	18
Fees payable to the company's auditor for other services		
for the audit of the company's subsidiaries, pursuant to legislation	37	32
for tax services	14	10
for all other services	4	4
Depreciation	107	81
Amortisation of intangible assets	415	53
Operating lease rentals - land and property	195	174
- vehicles	9	-
In addition, fees were paid to the auditor in 2009 in respect of corporate finance transaction work undertaken in connection with the acquisition of Quorum Technologies Limited. The costs of £39,000 are included in investments in subsidiaries in the parent company's financial statements		
10. Profit on disposal of available-for-sale investments		
The parent company completed the realisation of its available-for-sale investments in 2008		
11. Interest receivable and payable	2009	2008
	£000	£000
Interest receivable - short-term bank deposits	3	48
Interest payable - bank and hire purchase loans	(97)	(155)
Interest payable - loan notes	(13)	(33)
	(110)	(188)
Net interest payable	107	140

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

12 Taxation	2009 £000	2008 £000
UK corporation tax at 28% (2008 28½%) - current year	460	292
- prior years	(1)	(61)
	<u>459</u>	<u>231</u>
Deferred tax - origination and reversal of temporary differences		
Current year	(132)	(9)
Prior years	(2)	8
	<u>(134)</u>	<u>(1)</u>
Tax on profit for the year - current year	328	283
- prior years	(3)	(53)
	<u>325</u>	<u>230</u>
Factors affecting the tax charge for the year		
Profit before tax	<u>1,160</u>	<u>869</u>
Profit before tax multiplied by weighted average standard rate of UK corporation tax of 28% (2008 – 28½%)	325	247
Tax relief available on purchased goodwill	(12)	(19)
Provisions and expenditure not deductible for tax purposes	19	56
Marginal relief	(4)	(1)
Tax on profit for the year - current year	328	283
- prior years	(3)	(53)
Total net taxation charge	<u>325</u>	<u>230</u>

13 Dividends	2009		2008	
	p/share	£000	p/share	£000
Final dividend for the previous year	2 4	97	2 2	78
Interim dividend for the current year	1 3	52	1 2	49
	<u>3 7</u>	<u>149</u>	<u>3 4</u>	<u>127</u>

The directors will propose a final dividend of 3 7p per share, amounting to £150,000, for payment on 2 July 2010. As this remains conditional on shareholders' approval, provision has not been made in these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

14. Earnings per share

Options and warrants over Ordinary shares and rights of conversion of the Convertible Redeemable shares are described in notes 25 and 26. The calculation of the basic earnings per share is based on 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 based on 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 warrants 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.

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

Year to 31 December 2009

	Earnings attributable to equity holders of the parent company £000	Weighted average number of shares No	Earnings per share pence
Profit after tax for calculation of basic and diluted earnings per share	832		
Add-back amortisation of intangible assets, net of tax	299		
Adjusted basic and diluted profit	1,131		
Number of shares for calculation of basic earnings per share		4,038,434	
Dilutive effect of potential shares		108,212	
Number of shares for calculation of diluted earnings per share		4,146,646	
Basic earnings per share			20.6
Diluted earnings per share			20.1
Adjusted basic earnings per share			28.0
Adjusted diluted earnings per share			27.3

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

14 Earnings per share - continued

Year to 31 December 2008	Earnings attributable to equity holders of the parent company £000	Weighted average number of shares no	Earnings per share Pence
Profit after tax for calculation of basic and diluted earnings per share	567		
Add-back amortisation of intangible assets, net of tax	38		
provision for abortive acquisition costs, net of tax	263		
Less profit on disposal of available-for-sale investments, net of tax and tax adjustment in respect of prior year	(57)		
Adjusted basic and diluted profit	<u>811</u>		
Number of shares for calculation of basic earnings per share		3,849,565	
Dilutive effect of potential shares		-	
Number of shares for calculation of diluted earnings per share		<u>3,849,565</u>	
Basic earnings per share			14.7
Diluted earnings per share			14.7
Adjusted basic earnings per share			21.1
Adjusted diluted earnings per share			<u>21.1</u>

Due to the average market price of the Ordinary shares for the year ended 31 December 2008, none of the options or warrants were considered dilutive

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

15	Property, plant and equipment	Plant & machinery	Fixtures, fittings & equipment	Motor vehicles	Property & building improvements	Total
		£000	£000	£000	£000	£000
	Cost / deemed cost					
	1 January 2008	308	178	50	54	590
	Additions	33	37	7	591	668
	Disposals	-	-	(6)	-	(6)
	31 December 2008	341	215	51	645	1,252
	Additions	5	93	14	13	125
	Acquisitions	8	38	-	-	46
	Disposals	-	(6)	(13)	-	(19)
	31 December 2009	354	340	52	658	1,404
	Depreciation					
	1 January 2008	181	69	20	45	315
	Charge	48	21	8	4	81
	Disposals	-	-	(5)	-	(5)
	31 December 2008	229	90	23	49	391
	Charge	47	46	9	5	107
	Disposals	-	(4)	(11)	-	(15)
	31 December 2009	276	132	21	54	483
	Net book value - 31 December 2009	78	208	31	604	921
	Net book value - 31 December 2008	112	125	28	596	861
16	Goodwill				2009	2008
					£000	£000
	Cost					
	1 January				4,383	4,383
	Addition in year				114	-
	31 December				4,497	4,383

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

16 Goodwill – continued

An analysis of goodwill by business segment is given in note 7. The increase in goodwill during 2009 related to the acquisition of Quorum Technologies Limited.

There have been no impairment charges in either 2009 or 2008. Goodwill is tested annually for impairment by reference to the value in use of the relevant cash generating units, which are the group's business 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 steady gross margins. These cash flows are adjusted to present day values at a discount rate based on a weighted average cost of capital of 12.04% (2008: 12.15%) per annum, calculated by reference to year-end data on equity values and interest, dividend and tax rates. 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 2009.

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.

17 Other intangible assets	Carrying amount at 1 January 2009 £000	Additions £000	Amortisation £000	Carrying amount at 31 December 2009 £000
Customer relationships	14	-	14	-
Non-competition agreements	9	-	4	5
Distribution agreements	-	398	74	324
Research and development	-	180	20	160
Sales order backlog	-	244	244	-
Advertising	-	91	51	40
Domain names	-	73	8	65
Total	23	986	415	594

	Carrying amount at 1 January 2008 £000	Additions £000	Amortisation £000	Carrying amount at 31 December 2008 £000
Customer relationships	62	-	48	14
Non-competition agreements	14	-	5	9
	76	-	53	23

An analysis of other intangible assets by business segment is given in note 7. The additions to other intangible assets during 2009 related to the acquisition of Quorum Technologies Limited.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

18. Inventories	2009	2008
	£000	£000
Raw materials	959	542
Work in progress	253	102
Finished goods	29	28
	1,241	672

In 2009, a total of £4,340,000 of inventories was included in the income statement as an expense (2008 £2,241,000). This includes an amount of £15,000 (2008 £12,000) resulting from write-downs of inventories. The carrying amount of inventories held at fair value less costs to sell is £10,000 (2008 nil). There were no reversals of previous write-downs that were recognised in the income statement in either 2009 or 2008. All group inventories form part of the assets pledged as security in respect of bank loans.

19. Trade and other receivables	2009	2008
	£000	£000
Trade receivables	1,557	1,201
Prepayments and accrued income	140	92
Other receivables	106	71
	1,803	1,364

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:

	2009	2008
	£000	£000
Not more than 3 months	479	336
More than 3 months but not more than 6 months	17	18
More than 6 months but not more than 1 year	1	26
Greater than one year	12	3
	509	383

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

20. Trade and other payables	2009	2008
	£000	£000
Trade payables	675	386
Accruals and deferred income	753	758
Social security and other taxes	231	116
Other payables	538	77
	2,197	1,337

All amounts are short-term and their carrying values are considered reasonable approximations of fair value. Other payables include £300,000 in relation to the earn-out terms of the Quorum acquisition, being the maximum amount payable computed by reference to profits for the period up to 30 June 2010. Other payables also include £12,500 of non equity shares classed as financial liabilities (see note 26).

21. Current portion of long-term borrowings	2009	2008
	£000	£000
Bank loan	150	608
Net obligations under hire purchase contracts	-	17
Subordinated loan notes	500	-
	650	625

All amounts are short-term and their carrying values are considered reasonable approximations of fair value. The subordinated loan notes are unsecured, repayable on 23 May 2010 and bear interest at Bank of Scotland base rate plus 2%.

22. Long-term borrowings	2009	2008
	£000	£000
Bank loan	2,590	1,492
Subordinated loan notes	-	500
	2,590	1,992

The bank loan is secured on assets of the group, is repayable in quarterly instalments over the period ending 30 June 2014 and bears interest at 3¼% above LIBOR-related rates. The subordinated loan notes are unsecured, repayable on 23 May 2010 and bear interest at Bank of Scotland base rate plus 2%. The repayment profile of borrowings is as set out in note 23.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

23. Maturity of borrowings and net debt

31 December 2009	Bank loan £000	Subordinated loan notes £000	Hire purchase £000	Total £000
Repayable in less than 6 months	120	505	-	625
Repayable in months 7 to 12	170	-	-	170
Current portion of long-term borrowings	290	505	-	795
Repayable in years 1 to 5	2,927	-	-	2,927
Total borrowings	3,217	505	-	3,722
Less interest included above cash and cash equivalents				482
Total net debt				2,540
				700
31 December 2008	Bank loan £000	Subordinated loan notes £000	Hire purchase £000	Total £000
Repayable in less than 6 months	352	-	10	362
Repayable in months 7 to 12	347	15	7	369
Current portion of long-term borrowings	699	15	17	731
Repayable in years 1 to 5	1,585	506	-	2,091
Total borrowings	2,284	521	17	2,822
Less interest included above cash and cash equivalents				205
Total net debt				1,621
				996

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 2009 of loans denominated in US\$ was £765,000 (2008 £681,000) and in Euros was £777,000 (2008 £505,000). These amounts are included in the figures above for bank loans, repayable in years 1 to 5.

The components of the hire purchase debt are as follows

	2009 £000	2008 £000
Future payments	-	17
Less interest component of future payments	-	-
Carrying amount – 31 December	-	17

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

24. Deferred tax liabilities	2009	2008
	£000	£000
1 January	34	36
Acquisition in year – amount recognised	11	-
– attributable to intangible assets	277	-
Credit to income statement in the year	(134)	(2)
31 December	<u>188</u>	<u>34</u>
Deferred tax balances relate to temporary differences as follows:		
Accelerated capital allowances	39	32
Provisions allowable for tax in subsequent period	(17)	-
Goodwill and other intangible assets	168	11
Fair value adjustment arising on acquisition of FTT	(2)	(9)
Total	<u>188</u>	<u>34</u>

Amounts provided in respect of deferred tax are computed at 28% (2008 28%)

The group has unrelieved tax losses at 31 December 2009 of £325,000 (2008 £325,000). The group has not recognised a deferred tax asset (2009 and 2008 £91,000) in respect of these losses as it is not 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.

25 Share capital	2009	2008
	£000	£000
Authorised - Ordinary shares of 5p each		
10,000,000 shares	<u>500</u>	<u>500</u>
Allotted, called up and fully paid - Ordinary shares of 5p each		
1 January – 4,037,678 shares (2008 – 3,560,878)	202	178
Allotted in the year – 3,000 shares (2008 – 476,800)	-	24
31 December – 4,040,678 shares (2008 – 4,037,678)	<u>202</u>	<u>202</u>

The allotment of shares in 2009 was made to satisfy the exercise of share options on 20 October 2009, when the share price was 177p. The allotment in 2008 was made pursuant to a placing to provide additional working capital and to facilitate potential acquisition opportunities in line with the group's strategy.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

25 Share capital - continued

Equity share options and warrants

At 31 December 2009, options had been granted and remained outstanding in respect of 291,000 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

	2009 Number	Weighted average exercise price p/share	2008 Number	Weighted average exercise price p/share
2005 Approved Plan				
Outstanding at 1 January	141,450	109.2	90,000	100.7
Granted in year	44,400	92.0	51,450	124.0
Exercised or lapsed in year	(6,000)	113.8	-	-
Outstanding at 31 December	179,850	104.8	141,450	109.2
Of which exercisable at 31 December	25,000	103.5	-	-
2005 Unapproved Plan				
Outstanding at 1 January	95,550	106.7	70,000	100.4
Granted in year	15,600	92.0	25,550	124.0
Outstanding at 31 December	111,150	104.6	95,550	106.7
Of which exercisable at 31 December	56,000	102.0	42,000	101.5
Total				
Outstanding at 1 January	237,000	108.2	160,000	100.6
Granted in year	60,000	92.0	77,000	124.0
Exercised or lapsed in year	(6,000)	113.8	-	-
Outstanding at 31 December	291,000	104.7	237,000	108.2
Of which exercisable at 31 December	81,000	102.5	42,000	101.5

Exercise prices at 31 December 2009 ranged from 92p/share to 124p/share (2008 94p/share to 124p/share), with a weighted average remaining contractual life of 7.83 years (2008 8.28 years). Options over 37,000 shares were conditional upon the achievement of earnings targets in 2009 and 2010. Subsequent to the year-end, options over 10,000 shares were granted at 142.5p/share to a newly-appointed executive. Options have been granted to two directors as follows:

	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	10,000	-
23 March 2007 at 106.5p	10,000	-
24 September 2007 at 94p	5,000	10,000
28 April 2008 at 124p	10,000	10,000
23 July 2009 at 92p	10,000	10,000
	50,000	67,000

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

25 Share capital - continued

The market price of the company's Ordinary shares on 31 December 2009 was 119 5p, the highest price during 2009 was 178 5p on 19 October, the lowest price during 2009 was 59 5p on 19 and 20 January and the price on 22 March 2010 was 162 5p

Subsequent to the year end and for the duration of the close period in force until the preliminary announcement of the 2009 financial results, the company put in place an irrevocable non-discretionary share repurchase programme to purchase up to 300,000 Ordinary shares. At the date of approval of these financial statements, no repurchases had been made under this programme

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 2009 and 31 December 2008. As such, no adjustment has been made to either the consolidated or parent company financial statements

Warrants to subscribe

Under an agreement dated 22 October 2004, Invex Capital LLP was granted unquoted warrants to subscribe for Ordinary shares in the company in connection with the acquisition of Fire Testing Technology Limited. This warrant has an exercise price of £1 per share, expires on 23 May 2010 and relates to 133,564 shares. Loeb Aron & Company Limited, the brokers who conducted the 2008 share placing, were granted unquoted warrants to subscribe for Ordinary shares in the company at an exercise price of £1.10 per share, expiring on 20 May 2013 and relating to 23,840 shares. The Invex warrants have not been accounted for in accordance with IFRS 2 as they were issued before the effective date of the Standard. The Loeb Aron warrants have not been accounted for in accordance with IFRS 2 on the grounds of materiality.

Convertible Redeemable shares

The conversion rights set out in note 26 would have resulted in the issue of 551,001 Ordinary shares if conversion of all the Convertible Redeemable shares had taken place on 31 December 2009.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

26. Shares classed as financial liabilities	2009	2008
	£000	£000
Authorised		
5,000,000 Convertible Redeemable shares of 1p each	<u>50</u>	<u>50</u>
Allotted, called up and fully paid		
5,000,000 Convertible Redeemable shares of 1p each – quarter paid	<u>12</u>	<u>12</u>

In accordance with IAS 32, Financial Instruments Presentation, the Convertible Redeemable shares are classified as financial liabilities and included in other payables – less than one year (see note 21)

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 Convertible Redeemable shares are convertible no later than 31 December 2014 into such number of Ordinary shares as would represent 12% of the company's Ordinary share capital as enlarged if all convertible shares were converted, 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 at any time 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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

27	Emoluments of directors and key management personnel	2009	2008
		no	no
	Executive directors	3	2
	Non-executive directors	3	3
		6	5
		£000	£000
	Total directors' emoluments		
	Emoluments	399	219
	Defined contribution pension scheme contributions	10	4
		409	223
	Emoluments of the highest paid director:		
	Emoluments	118	104
	Defined contribution pension scheme contributions	5	4
		123	108

During the year two directors participated in a defined contribution pension scheme (2008 one)

Compensation of key management personnel

Emoluments, benefits and pension contributions	717	478
Short term employee benefits		
Salaries including bonuses	671	455
Company car allowance and other benefits	19	11
Total short term employee benefits	690	466
Post-employment benefits		
Defined contribution pension plans	27	12
Total post-employment benefits:	27	12
Total remuneration	717	478

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

28	Employees	2009 no.	2008 no
	Number of employees		
	By function – manufacturing	45	33
	– sales and administration	45	30
		<u>90</u>	<u>63</u>
	By business segment		
	fire testing equipment and engineering parts	33	30
	fibre optic testing equipment	9	9
	ultra high vacuum manipulation equipment	23	17
	sample preparation for electron microscopy (pro-rata since acquisition – 30 employed at year-end)	17	-
	head office (including 3 non-executive directors in both years)	8	7
		<u>90</u>	<u>63</u>
	Employment costs	2009	2008
		£000	£000
	Wages and salaries	3,248	2,110
	Social security costs	348	235
	Pension costs	82	49
		<u>3,678</u>	<u>2,394</u>

29. Financial instruments

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

Fair value of financial instruments

Financial instruments include the borrowings set out in note 23. 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 un-drawn committed overdraft facility of £500,000 at 31 December 2009 (2008 £500,000).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

29 Financial instruments - continued

Summary of financial assets and financial liabilities by category	2009 £000	2008 £000
Trade and other receivables	1,663	1,272
Cash and cash equivalents	2,540	1,621
Loans and receivables	4,203	2,893
Trade payables	675	386
Accruals and deferred income	753	758
Other payables	538	77
Current portion of long-term borrowings	650	625
Long-term borrowings	2,590	1,992
Other financial liabilities	5,206	3,838
Net financial liabilities	(1,003)	(945)
Non financial assets and financial liabilities not within the scope of IAS 39		
Property, plant and equipment	921	861
Goodwill	4,497	4,383
Other intangible assets	594	23
Inventories	1,241	672
Prepayments and accrued income	140	92
Social security and other taxes	(231)	(116)
Current tax payable	(638)	(292)
Deferred tax liabilities	(188)	(34)
	6,336	5,589
Total equity	5,333	4,644

Financial assets

The group's financial assets (which are summarised in note 30 – 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 £3,000 (2008 £48,000)
- 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 2009 the group had trade receivables denominated in foreign currency as follows Euros - £358,000 (2008 £257,000), US Dollars - £408,000 (2008 £345,000) and Japanese Yen - £35,000 (2008 £11,000)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

29 Financial instruments - continued

Financial liabilities

The group's principal financial liabilities are bank loans, subordinated loan notes issued in connection with the acquisition of Fire Testing Technology Limited in 2005, trade and other payables (including £300,000 in relation to the earn-out terms of the Quorum acquisition) and Convertible Redeemable shares classed as financial liabilities

- The costs attributable to these liabilities and included as interest expense in the income statement amounted to £110,000 (2008 £188,000), as analysed in note 11 Foreign exchange gains attributable to bank loans (see below) and included as operating costs in the income statement amounted to £93,000 (2008 loss of £282,000), 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 23

30. 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 2009

	Sterling equivalent of US\$ £000	Sterling equivalent of € £000
Sterling loans denominated in foreign currencies at year-end	765	777
Residual exposure at year-end – (short)/long	(57)	486
Impact on pre-tax profits of a 5% variation in exchange rate on year-end residual exposure	3	24
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	2	18

31 December 2008

	Sterling equivalent of US\$ £000	Sterling Equivalent of € £000
Sterling loans denominated in foreign currencies at year-end	681	504
Residual exposure at year-end	522	160
Impact on pre-tax profits of a 5% variation in exchange rate on year-end residual exposure	26	8
Impact on equity of a 5% variation in exchange rate on year-end residual exposure	19	6

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

30 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, its subordinated loan notes and its surplus funds, both of which are bank base-rate-linked. The group's sensitivity to interest rate changes is as follows

	2009 £000	2008 £000
Bank loans outstanding at year-end	2,740	2,100
Impact on pre-tax profits of a 1% change in LIBOR	27	21
Impact on equity of a 1% change in LIBOR	19	15
Surplus funds less subordinated loan notes at year-end	2,040	1,616
Impact on pre-tax profits of a 1% change in bank base rates	20	16
Impact on equity of a 1% change in bank base rates	14	12

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

	2009 £000	2008 £000
Cash and cash equivalents	2,540	1,616
Trade and other receivables	1,803	1,364
	4,343	2,980

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 19). 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. No counterparties owed more than 10% each of the group's total trade and other receivables at 31 December 2009. At 31 December 2008, three counterparties owed more than 10% of the group's total trade and other receivables, being the USA agent of UHV Design (12.7%), the China agent of Fire Testing Technology Limited (10.8%) and an industrial customer of FTT (10.5%).

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.

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

30 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. 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 a £500,000 borrowing facility from the group's bank to provide an additional margin of liquidity.

The periods of maturity of the group's borrowings are set out in note 23. The maturity of all trade and other payables is within the period of less than six months.

31. Operating lease commitments

	2009 £000	2008 £000
Operating lease payments expensed during the year		
Land and property	195	174
Vehicles	9	-
	<u>204</u>	<u>174</u>
Minimum operating lease commitments falling due		
Within one year – Land and property	184	170
– Vehicles	21	-
	205	170
Between one and five years – Land and property	346	645
– Vehicles	39	-
	385	645
Total commitment	<u>590</u>	<u>815</u>

Land and property leases represent operating sites leased at East Grinstead, Laughton, Ashford, Ringmer and Wokingham. The earliest exit to these leases fall during May 2013, February 2011, April 2010, June 2010 and September 2013 respectively.

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

32. Acquisition of Quorum Technologies Limited

On 9 June 2009, the Group acquired 100% of the issued share capital of Quorum Technologies Limited ("Quorum"), a company based in the UK. The total cost of acquisition, all of which has been paid or will be payable in cash, includes the components stated below

	Paid in 2009	Payable in less than one year	Total
	£000	£000	£000
Initial consideration	1,200	-	1,200
Deferred consideration (payable in 2010 dependent upon earnings performance)	-	300	300
	1,200	-	1,500
Gross cash inherited on acquisition	889	-	889
Cash retained in the business	(424)	-	(424)
Payment to vendors in respect of surplus working capital	465	-	465
Acquisition costs	249	-	249
Total cost of acquisition	1,914	300	2,214

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

	Pre acquisition carrying amount	Adjustment to fair value	Recognised at acquisition date
	£000	£000	£000
Property, plant and equipment	77	(31)	46
Intangible assets	-	987	987
Inventories	713	-	713
Trade and other receivables	696	-	696
Cash and cash equivalents	889	-	889
Total assets	2,375	956	3,331
Deferred tax liabilities	(11)	(276)	(287)
Trade payables	(656)	-	(656)
Current tax liability	(288)	-	(288)
Total liabilities	(955)	-	(955)
Net identifiable assets and liabilities	1,420	680	2,100
Goodwill arising on acquisition			114
Total cost of acquisition			2,214

JUDGES SCIENTIFIC plc

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

32 Acquisition of Quorum Technologies Limited - continued

The goodwill that arose on the combination can be attributed to Quorum's profitability

Quorum made a profit after tax of £98,000 in the 29 weeks from 9 June 2009 to the reporting date. After amortisation of intangible assets of £287,000, Quorum's contribution to the Group results amounted to a loss of £182,000, both figures stated after tax.

If Quorum had been acquired on 1 January 2009, revenue for the group for the year ended 31 December 2009 would have been £13,568,000 and profit after tax, based on pro-forma 2008 EBIT of £496,000 per annum, would have increased by £111,000 after allowing for interest costs but before charging amortisation of intangible assets (a reduction of £64,000 after charging additional amortisation of intangible assets of £175,000).

33 Post Balance Sheet Event

On 18 March 2010, the company's subsidiary, Fire Testing Technology Limited ("FTT"), acquired the entire issued share capital of Sircal Instruments (UK) Limited ("Sircal"), a company which designs, manufactures and distributes rare gas purifiers for use in metals analysis.

The consideration for the purchase was £1 million, payable in cash and financed by an additional bank loan drawn down by the parent company. An additional payment will be made on agreement of a completion balance sheet to reflect the working capital available at completion in excess of the ongoing requirements of the business. The directors estimate that transactions costs, which will be expensed in the 2010 interim and full year Income Statements in accordance with the requirements of IFRS 3, will amount to £80,000. Goodwill and other intangible assets arising on the acquisition amount to £850,000. The directors have not yet concluded their review of the fair value of the net assets acquired or of the identification and valuation of Sircal's intangible assets, and therefore the disclosure of these at this time is impracticable.

Sircal's unaudited financial statements for the year ended 30 September 2009 showed net tangible assets (excluding excess working capital) of £150,000. Sales amounted to £785,000, on which the company generated operating profits of £337,000. The Board of Judges believes that, had the business been owned by the group during that period, it would have generated a contribution in the order of £270,000 before interest, tax and amortisation of intangible assets.

JUDGES SCIENTIFIC plc
PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

JUDGES SCIENTIFIC plc

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

We have audited the parent company financial statements of Judges Scientific plc for the year ended 31 December 2009 which comprise the 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 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/UKNP.

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 2009,
- 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 2009.

Grant Thornton UK LLP.

Paul Houghton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
East Midlands
25 March 2010

JUDGES SCIENTIFIC plc

PARENT COMPANY BALANCE SHEET AS AT 31 DECEMBER 2009

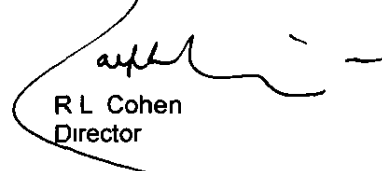
	Notes	2009 £000	2008 £000
Fixed assets			
Tangible assets	3	577	585
Investments in subsidiaries	4	7,834	5,620
		<u>8,411</u>	<u>6,205</u>
Current assets			
Debtors	5	365	494
Cash in hand and at bank		<u>1,013</u>	<u>239</u>
		1,378	733
Creditors amounts falling due within one year	6	(1,164)	(823)
Net current assets/(liabilities)		<u>214</u>	<u>(90)</u>
Total assets less current liabilities		<u>8,625</u>	<u>6,115</u>
Creditors amounts falling due after more than one year	7	(2,590)	(1,992)
Deferred tax	8	(5)	(5)
		<u>(2,595)</u>	<u>(1,997)</u>
Total net assets		<u>6,030</u>	<u>4,118</u>
Capital and reserves			
Called up share capital	9	202	202
Share premium	10	2,959	2,956
Profit and loss account	10	2,869	960
Shareholders' funds	10	<u>6,030</u>	<u>4,118</u>

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 25 March 2010



D E Eticurel
Director



R L Cohen
Director

JUDGES SCIENTIFIC plc

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

Deferred tax is the taxation attributable to timing differences between the results computed for tax purposes and those stated in the parent company financial statements. It is recognised on all timing differences where the transaction or event which gives the company an obligation to pay more tax or the right to pay less tax in the future has occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

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

2.4 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 company and group. The pension costs charged against operating profits represent the amount of the contributions payable to the schemes 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 2009, has indicated that no material adjustment to profits is required.

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 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 2009

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.

3 Tangible assets	Property £000
Cost	
1 January 2008	-
Additions in 2008 (none in 2009)	591
31 December 2008 and 2009	591
Depreciation	
1 January 2008	-
Charge	6
31 December 2008	6
Charge	8
31 December 2009	14
Net book value - 31 December 2009	577
Net book value - 31 December 2008	585

4. Investments in subsidiaries	2009 £000	2008 £000
Cost		
1 January	5,620	5,620
Addition – acquisition of Quorum Technologies Limited	2,214	-
31 December	7,834	5,620

JUDGES SCIENTIFIC plc

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

4 Investments in subsidiaries – continued

The parent company's trading subsidiaries at 31 December 2009, all of which were incorporated and operate in the United Kingdom, were as follows

Company	Principal activity	Class of shares	% held
Fire Testing Technology Limited	Design and assembly of fire testing instruments	Ordinary £1	100%
PE fiberoptics Limited	Design and assembly of fibre-optic testing instruments	"A" Ordinary £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%

All of the above companies are owned directly by Judges Scientific plc, with the exception of Aitchee Engineering Limited, which is owned directly by Fire Testing Technology Limited

5. Debtors	2009 £000	2008 £000
Amounts owed by group companies	269	257
Corporation tax - group relief owed by group companies	74	218
Prepayments and accrued income	22	19
	365	494

Included in amounts owed by group companies is the sum of £204,000 (2008 £204,000) which is repayable on demand at any time after 30 June 2011 provided that all liabilities to third parties falling due on or before that date have been met. All other amounts are recoverable in less than 1 year.

JUDGES SCIENTIFIC plc

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

6. Creditors: amounts falling due within one year	2009 £000	2008 £000
Accruals and deferred income	457	193
Social security and other taxes	45	10
Bank loan	150	608
Subordinated loan notes	500	-
Other creditors	12	12
	1,164	823

The subordinated loan notes are unsecured, repayable on 23 May 2010 and bear interest at Bank of Scotland base rate plus 2%. Other creditors comprise £12,500 of non equity shares classed as financial liabilities (see note 26 to the consolidated financial statements)

7 Creditors: amounts falling due after more than one year	2009 £000	2008 £000
Bank loan	2,590	1,492
Subordinated loan notes	-	500
	2,590	1,992

The bank loan is secured on assets of the group (including the assets of the parent company), is repayable in quarterly instalments over the period ending 30 June 2014 and bears interest at 3¼% above LIBOR-related rates. The repayment profile of borrowings is as follows

	Bank loan £000
Repayable in less than 1 year	795
Repayable in years 1 to 5	2,927
	3,722

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 2009 of loans denominated in US\$ was £765,000 (2008 £681,000) and in Euros was £777,000 (2008 £505,000). These amounts are included in the figures above for bank loans, repayable in years 1 to 5.

The parent company has a contingent liability in respect of its cross-guarantees of Bank overdraft facilities made available to its subsidiary companies amounting in aggregate to £0.5 million.

JUDGES SCIENTIFIC plc

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

8. Deferred tax liabilities	2009 £000	2008 £000
1 January	5	-
Charge	-	5
31 December	<u>5</u>	<u>5</u>

Amounts provided in respect of deferred tax are computed at 28% (2008 28%) and relate to accelerated capital allowances

The parent company had unrelieved tax losses at 31 December 2009 of £325,000 (2008 £325,000) but has not recognised a deferred tax asset (2009 and 2008 £91,000) in respect of these losses as it is not 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.

9 Share capital

Details relating to the parent company's share capital are set out in notes 25 and 26 to the consolidated financial statements

10 Statement of movements in shareholders' funds

	Share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders funds £000
1 January 2009	202	2,956	960	4,118
Profit for the year	-	-	2,058	2,058
Shares issued in the year	-	3	-	3
Dividends paid in the year	-	-	(149)	(149)
31 December 2009	202	2,959	2,869	6,030

The profit for the financial year in the accounts of the parent company amounted to £2,058,000 (2008 £327,000)

JUDGES SCIENTIFIC plc

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

11. Related party transactions

The parent company entered into the following transactions during the year with its 51%-owned subsidiary, PE fiberoptics Limited ("PFO")

- (a) in September 2005, the parent company made available to PFO a loan facility originally granted in the sum of £250,000 but reducing annually by £62,500. There were no amounts drawn or outstanding at any time during the year and the facility expired in September 2009
- (b) a further loan facility was made available to PFO in September 2005, £17,000 was outstanding on 31 December 2009 (2008 £31,000). This loan is unsecured and repayable at the discretion of the directors of PFO. It was interest-free until 1 January 2007, since which date interest has been charged at the rate of 7½% per annum (2009 £1,000, 2008 £3,000)

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

12 Directors and employees

	2009	2008
	£000	£000
Total directors' emoluments		
Emoluments	399	219
Defined contribution pension scheme contributions	10	4
	<u>409</u>	<u>223</u>
Emoluments of the highest paid director		
Emoluments	118	104
Defined contribution pension scheme contributions	5	4
	<u>123</u>	<u>108</u>

During the year, two directors participated in a defined contribution pension scheme (2008 one)

	no	no
Employees		
Number of directors	6	5
Administrative staff	2	1
Total	<u>8</u>	<u>6</u>

JUDGES SCIENTIFIC plc

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

13 Post Balance Sheet Event

On 18 March 2010, the company's subsidiary, Fire Testing Technology Limited ("FTT"), acquired the entire issued share capital of Sircal Instruments (UK) Limited ("Sircal"), a company which designs, manufactures and distributes rare gas purifiers for use in metals analysis

The consideration for the purchase was £1 million, payable in cash and financed by an additional bank loan drawn down by the parent company. An additional payment will be made on agreement of a completion balance sheet to reflect the working capital available at completion in excess of the ongoing requirements of the business

Sircal's unaudited financial statements for the year ended 30 September 2009 showed net tangible assets (excluding excess working capital) of £150,000. Sales amounted to £785,000, on which the company generated operating profits of £337,000. The Board of Judges believes that, had the business been owned by the group during that period, it would have generated a contribution in the order of £270,000 before interest, tax and amortisation of intangible assets

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