Judges Scientific plc

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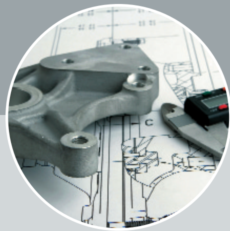
Interim Report and Accounts 2009



Judges Scientific plc

Chairman's Statement

Once again, I am pleased to be able to announce another set of record interim results, these being for the six months ended 30 June 2009. Our Group achieved record sales of £4,517,000 for the first half of 2009, of which continuing activities accounted for £4,133,000; this represents an increase of 18.6% compared with £3,484,000 for the first half of 2008.

Pre-tax profits arising from continuing activities amounted to £769,000, an increase of 14.6% compared with £671,000 for the corresponding period of 2008. However, accounting idiosyncrasies under IFRS resulted in a reported pre-tax loss of £71,000 in the period from our new acquisition, resulting from amortisation of intangible assets of £138,000. These apparent losses reduced the Group's reported pre-tax profits to £698,000. Basic earnings per share totalled 12.8p (first half 2008: 11.8p) while adjusted basic earnings per share (before amortisation of intangible assets) amounted to 15.5p (first half 2008: 12.6p).

I am also delighted to report that the acquisition of Quorum Technologies Limited was completed on 9 June 2009. Quorum specialises in the manufacture of sample preparation instruments for electron microscopy. The purchase price amounted to £1.2 million before taking account of a potential earn-out capped at £300,000 and a working capital adjustment of £465,000. In the year to 31 October 2008, Quorum achieved pro-forma EBIT of £496,000. Although we are still in the early days following its acquisition, Quorum is trading fully in line with our expectations.

Our Group's trading performance during the period under review was driven by an excellent opening order book and by enhanced competitiveness in our export markets due to lower Sterling exchange rates. This was reflected in an 18.6% sales increase in relation to our ongoing operations which also achieved an improvement in their annual return on total invested capital ("ROTIC") from 34% to 38%. Overall performance was further enhanced by a three-week contribution from Quorum.

Excluding Quorum, order intake for the period was stronger than the first half of 2008 and the order book at 30 June 2009 stood well above the mid-year level of 2008, albeit well below the record level reached at the end of 2008.

Adjusted EPS amounted to 15.5p compared to 12.6p in the first half of 2008. The performance of EPS is all the more pleasing in view of the share placing carried out in May 2008, which increased the average number of shares in issue by 10%. Unadjusted EPS shows less progress due to the high level of intangible amortisation under IFRS in the period immediately following an acquisition.

Our balance sheet remains strong with cash in hand of £2,513,000 as at 30 June 2009, compared with £1,621,000 as at 31 December 2008. Net debt was stable at £997,000 (31 December 2008: £996,000) but both cash and net debt figures at 30 June 2009 were flattered by an amount of £889,000 still owed in respect of the Quorum acquisition.

To date, our Group has proved resilient in the face of the global recession and, for the immediate future, I am pleased to confirm that we enjoy the visibility afforded by our order book. However, management is conscious of the potentially adverse impacts of the present economic environment and of the modest recovery in Sterling. As previously stated by the Directors, the first half performance should not be extrapolated in respect of the full year. Shareholders should be aware that the unadjusted figures in the second half of 2009 (and, to a lesser extent, in subsequent periods) will be strongly impacted by the amortisation of intangible assets under IFRS in respect of the Quorum acquisition.

The Board is pleased to declare an interim dividend of 1.3p (first half 2008: 1.2p), which is 12 times covered by adjusted earnings. This will be paid on Friday 6 November 2009 to shareholders on the register on Friday 9 October 2009. The shares will go ex-dividend on Wednesday 7 October 2009.

Your Directors are confident that the trading performance achieved in the first half of 2009, the strength of the balance sheet and the supportive attitude of our bank have put our Company in a strong position to continue its prudent strategy of seeking good quality, earnings-enhancing acquisitions.

The Hon. Alexander Robert Hambro
Chairman

29 September 2009

Condensed consolidated interim income statement

Unaudited	Note	£000	£000	6 months to 30 June 2009 £000	6 months to 30 June 2008 £000	Year to 31 December 2008 £000
		Continuing activities	Acquisitions	Total		
Revenue		4,133	384	4,517	3,484	7,104
Abortive acquisition costs		-	-	-	-	(310)
Amortisation of intangible assets		(12)	(138)	(150)	(41)	(53)
Other operating costs		(3,312)	(317)	(3,629)	(2,698)	(5,753)
Operating profit/(loss)		809	(71)	738	745	988
Profit on disposal of available-for-sale investments				-	-	21
Finance income				2	27	48
Finance costs				(42)	(101)	(188)
Profit before tax				698	671	869
Taxation				(198)	(177)	(230)
Profit for the period				500	494	639
Attributable to:						
Equity holders of the parent company				517	431	567
Minority interest				(17)	63	72
				500	494	639
Earnings per share				Pence	Pence	Pence
Basic	4			12.8	11.8	14.7
Diluted	4			12.8	11.7	14.7

There are no items of other comprehensive income for the three periods in question.

Condensed consolidated interim balance sheet

Unaudited	Note	30 June 2009 £000	30 June 2008 £000	31 December 2008 £000
ASSETS				
Non-current assets				
Property, plant and equipment		938	804	861
Goodwill		4,497	4,383	4,383
Other intangible assets	3	859	35	23
Available-for-sale investments		-	20	-
		6,294	5,242	5,267
Current assets				
Inventories		1,546	696	672
Trade and other receivables		2,165	1,143	1,364
Cash and cash equivalents		2,513	1,575	1,621
		6,224	3,414	3,657
Total assets		12,518	8,656	8,924
LIABILITIES				
Current liabilities				
Trade and other payables		(2,463)	(826)	(1,337)
Current portion of long-term borrowings		(814)	(597)	(625)
Current tax payable		(819)	(483)	(292)
		(4,096)	(1,906)	(2,254)
Non-current liabilities				
Long term payables		(300)	-	-
Long-term borrowings		(2,697)	(2,065)	(1,992)
Deferred tax liabilities		(281)	(34)	(34)
		(3,278)	(2,099)	(2,026)
Total liabilities		(7,374)	(4,005)	(4,280)
Net assets		5,144	4,651	4,644
EQUITY				
Share capital		202	202	202
Share premium		2,956	2,956	2,956
Merger reserve		475	475	475
Retained earnings		1,366	841	849
Equity attributable to equity holders of the parent company		4,999	4,474	4,482
Minority interest		145	177	162
Total equity		5,144	4,651	4,644

Condensed consolidated interim statement of changes in equity

Unaudited	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
Profit for the period		-	-	-	517	517	(17)	500
Total comprehensive income for the period		-	-	-	517	517	(17)	500
Balance at 30 June 2009		202	2,956	475	1,366	4,999	145	5,144

Unaudited	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 2008		178	2,501	475	410	3,564	121	3,685
Dividends		-	-	-	-	-	(7)	(7)
Issue of share capital		24	455	-	-	479	-	479
Transactions with owners		24	455	-	-	479	(7)	472
Profit for the period		-	-	-	431	431	63	494
Total comprehensive income for the period		-	-	-	431	431	63	494
Balance at 30 June 2008		202	2,956	475	841	4,474	177	4,651

	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 2008		178	2,501	475	410	3,564	121	3,685
Dividends	7	-	-	-	(128)	(128)	(31)	(159)
Issue of share capital		24	455	-	-	479	-	479
Transactions with owners		24	455	-	(128)	351	(31)	320
Profit for the period		-	-	-	567	567	72	639
Total comprehensive income for the period		-	-	-	567	567	72	639
Balance at 31 December 2008		202	2,956	475	849	4,482	162	4,644

Condensed consolidated interim cash flow statement

Unaudited	Note	6 months to 30 June 2009 £000	6 months to 30 June 2008 £000	Year to 31 December 2008 £000
Cash flows from operating activities				
Profit after tax		500	494	639
Adjustments for:				
Depreciation		52	36	81
Amortisation of intangible assets		150	41	53
Profit on disposal of available-for-sale investments		-	-	(21)
Foreign exchange (gains)/losses		(138)	45	280
Finance income		(2)	(27)	(48)
Finance costs		42	101	188
Tax expense recognised in income statement		198	177	230
Increase in inventories		(197)	(143)	(118)
(Increase)/decrease in trade and other receivables		(105)	400	179
(Decrease)/increase in trade and other payables		(117)	(51)	460
Cash generated from operations		383	1,074	1,923
Finance costs paid		(31)	(83)	(188)
Tax recovered/(paid)		-	4	(238)
Net cash from operating activities		352	996	1,497
Cash flows from investing activities				
Paid on acquisition of new subsidiary	6	(1,325)	-	-
Gross cash inherited on acquisition	6	889	-	-
Acquisition of subsidiary, net of cash acquired	6	(436)	-	-
Purchase of property, plant and equipment		(47)	(566)	(668)
Proceeds from disposal of available-for-sale investments		-	-	40
Finance income received		2	27	48
Net cash used in investing activities		(481)	(539)	(580)
Cash flows from financing activities				
Issue of share capital		-	479	479
Repayments of borrowings		(422)	(263)	(527)
Proceeds from bank loans		1,443	-	-
Dividends paid (including to minorities)	7	-	(7)	(158)
Net cash from/(used in) financing activities		1,021	208	(206)
Net increase in cash and cash equivalents		892	665	711
Cash and cash equivalents at beginning of period		1,621	910	910
Cash and cash equivalents at end of period		2,513	1,575	1,621

Notes to the condensed consolidated interim financial statements

1. General information

The financial information set out in these condensed consolidated interim financial statements for the six months ended 30 June 2009 and the comparative figures for the six months ended 30 June 2008 are unaudited.

The financial information for the year ended 31 December 2008 set out in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2008 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under sections 237(2) and 237(3) of the Companies Act 1985.

2. Basis of preparation

These interim condensed consolidated financial statements are for the six months ended 30 June 2009. They have been prepared taking into account the requirements of IAS 34 Interim Financial Reporting and the AIM Rules. They do not contain all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2008, which have been prepared in accordance with IFRS.

The financial policies applied are largely consistent with those of the consolidated financial statements for the Group for the year ended 31 December 2008, as described in those financial statements, although the Group has complied with the requirements of IAS 1 (Revised) 'Presentation of Financial Statements'. The only exception relates to the taxation policy where for the purpose of the interims the tax charge on underlying business performance is calculated by reference to the estimated effective rate for the full year.

3. Additions and amortisation of intangible assets

The following tables show the significant additions to and amortisation of intangible assets:

	Carrying amount at 1 January 2009 £000	Additions £000	Amortisation £000	Carrying amount at 30 June 2009 £000
Customer relationships	14	-	10	4
Non-competition agreements	9	-	2	7
Distribution agreements	-	398	8	390
Research and development	-	180	2	178
Sales order backlog	-	244	122	122
Advertising	-	91	5	86
Domain names	-	73	1	72
Total	23	986	150	859

	Carrying amount at 1 January 2008 £000	Additions £000	Amortisation £000	Carrying amount at 30 June 2008 £000
Customer relationships	62	-	39	23
Non-competition agreements	14	-	2	12
Total	76	-	41	35

	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
Total	76	-	53	23

4. Earnings per share

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 and the post-tax effect of interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares. The calculation is based on the treasury method prescribed in IAS 33, which 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 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.

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

6 months to 30 June 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 earnings per share	517		
Notional taxed interest income accruing on dilution	-		
Profit after tax for calculation of diluted earnings per share	517		
Add-back amortisation of intangible assets, net of tax	108		
Adjusted diluted profit before amortisation of intangible assets	625		
Number of shares for calculation of basic earnings per share		4,037,678	
Dilutive effect of potential shares		-	
Number of shares for calculation of diluted earnings per share		4,037,678	
Basic earnings per share			12.8
Diluted earnings per share			12.8
Adjusted basic earnings per share			15.5
Adjusted diluted earnings per share			15.5

4. Earnings per share (continued)

6 months to 30 June 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 earnings per share	432		
Notional taxed interest income accruing on dilution	12		
Profit after tax for calculation of diluted earnings per share	444		
Add-back amortisation of intangible assets, net of tax	29		
Adjusted diluted profit before amortisation of intangible assets	473		
Number of shares for calculation of basic earnings per share		3,658,341	
Dilutive effect of potential shares		126,780	
Number of shares for calculation of diluted earnings per share		3,785,121	
Basic earnings per share			11.8
Diluted earnings per share			11.7
Adjusted basic earnings per share			12.6
Adjusted diluted earnings per share			12.5

4. 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 earnings per share	567		
Notional taxed interest income accruing on dilution	-		
Profit after tax for calculation of diluted earnings per share	567		
Add-back: amortisation of intangible assets, net of tax	38		
Add-back: 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 diluted profit	811		
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		3,849,565	
Basic earnings per share			14.7
Diluted earnings per share			14.7
Adjusted basic earnings per share			21.1
Adjusted diluted earnings per share			21.1

5. Changes in net debt in the 6 months ended 30 June 2009 were as follows:

	1 January 2009 £000	Cash flow £000	Non-cash items £000	30 June 2009 £000
Cash at bank and in hand	1,621	892	-	2,513
Debt (bank, subordinated loan notes and hire purchase)	(2,617)	(1,021)	128	(3,510)
Net debt	(996)	(129)	128	(997)
Effect of costs relating to the acquisition of Quorum Technologies Limited that are yet to be paid (included within liabilities)	-	(889)	-	(889)
Adjusted net debt	(996)	(1,018)	128	(1,886)

Non-cash items represent foreign exchange differences on bank loans and interest accruals.

6. Acquisition of Quorum Technologies Limited

On 9 June 2009, the Group acquired 100% of the issued share capital of Quorum Technologies Limited, 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 on acquisition £000	Payable in less than one year £000	Payable after more than one year £000	Total £000
Initial consideration	1,200	-	-	1,200
Deferred consideration (payable in 2010 dependent upon performance)	-	-	300	300
	1,200	-	300	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	125	124	-	249
Total cost of acquisition	1,325	589	300	2,214

6. Acquisition of Quorum Technologies Limited (continued)

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

	Pre acquisition carrying amount £000	Adjustment to fair value £000	Recognised at acquisition date £000
Property, plant and equipment	112	(31)	81
Intangible assets	-	987	987
Inventories	678	-	678
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)	-	(1,231)
Net identifiable assets and liabilities	1,420	680	2,100
Goodwill arising on acquisition			114
Total cost of acquisition			2,214

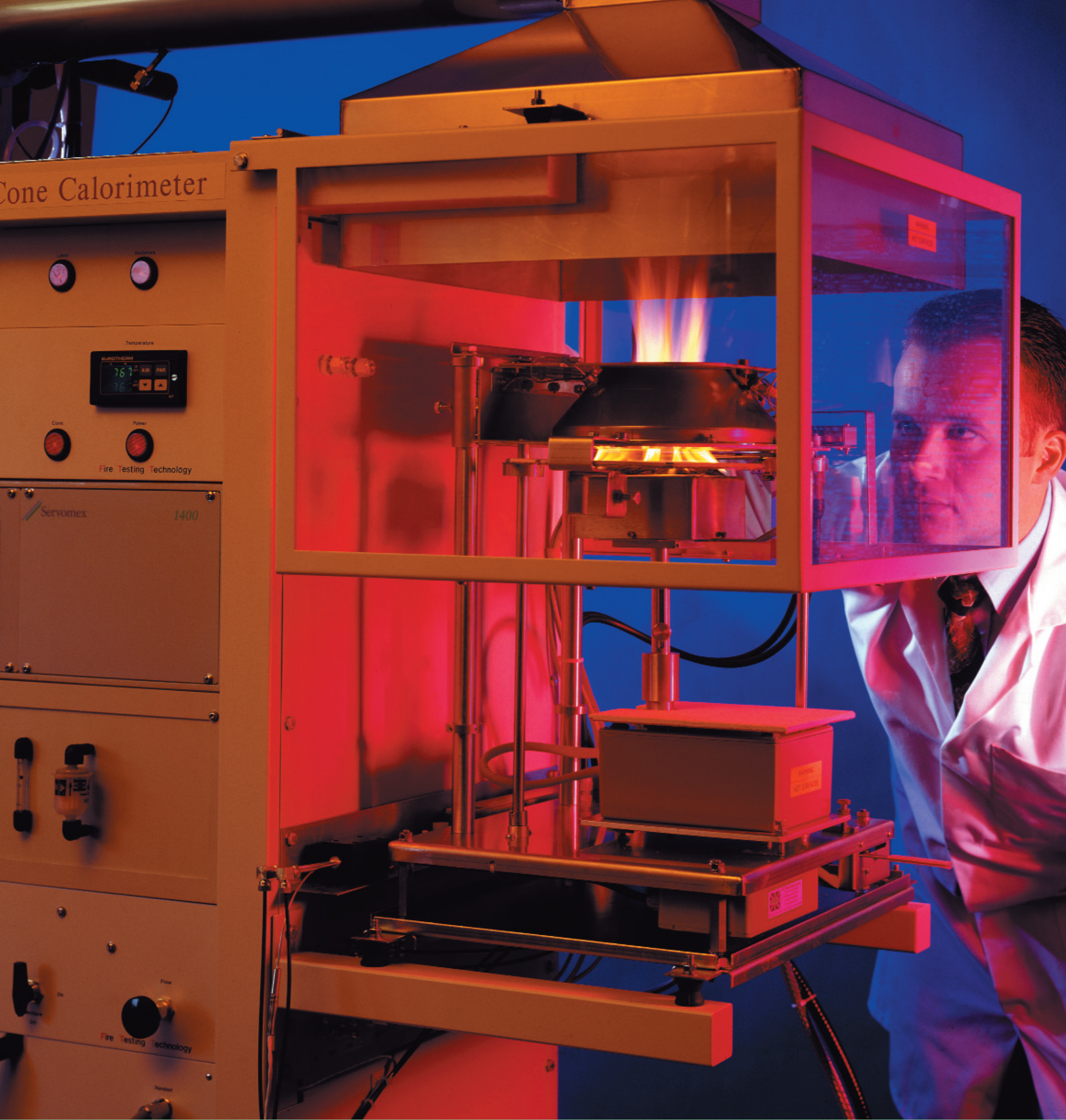
The goodwill that arose on the combination can be attributed to Quorum's profitability.

Quorum Technologies Limited made a profit after tax of £47,000 in the 3 weeks from 9 June 2009 to the reporting date. After amortisation of intangible assets, Quorum's contribution to the Group results amounted to a loss of £53,000 after tax.

If Quorum Technologies Limited had been acquired on 1 January 2009, revenue for the Group for the period to 30 June 2009 would have been £6,790,000 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).

7. Dividends

The company paid an interim dividend of 1.2p per share (£48,452) on 3 October 2008 and a final dividend of 2.4p per share (£96,904) on 3 July 2009, both relating to the financial year ended 31 December 2008.



Main picture, front page:
New **Q Series** range of instruments for Electron Microscopy sample preparation.

Quorum Technologies is launching the **Q series**, the successor to the current line of Emitech and Polaron bench-top instruments. The introduction of this range of radically new coating systems is the culmination of four years of development and forms the basis for a completely new high-tech range of instruments. The **Q series** will commence production in the first quarter of 2010 with the release of three turbo pumped instruments: the Q150TE, Q150TS and Q150TES.

Pictured above:
FTT Cone Calorimeter, ISO 5660 ASTM E 1354.
The Cone Calorimeter is the most significant bench scale instrument in the field of fire testing because it measures important real fire properties of the material being tested under a variety of pre-set conditions.These measurements can be used directly by researchers or as data for input into correlation or mathematical models used to predict fire development.