

**Malvern Instruments Limited**

**Directors' report and financial  
statements**

Registered number 1020602

For the year ended 31 December 2006



## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	5
Independent auditors' report to the members of Malvern Instruments Limited	6
Profit and loss account	8
Balance sheet	9
Notes	10

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

### Principal activities

The principal activity of the company is the sale of laboratory equipment and the measurement of particle characterisation to a wide variety of industries

### Business review

#### 2006

Sales continued to grow through the development of emerging economies and the penetration of new sectors adjacent to the pharmaceutical industry, lifting operating profits to over £10 million, a 23% increase on 2005

#### Outlook for 2007

The 2007 outlook is for the continuation of progress to be made on growing revenues in line with expectations. Likewise gross profit margins are expected to be in line with expectations, whilst administrative expenses and distribution costs will be leveraged to remain fixed at current levels to offset further investment in technology and people skills.

### Risk management

Risk management is a high priority. Processes are designed to identify, mitigate and manage risk. The board are ultimately responsible for risk management.

The key risks to our business, in terms of opportunity and threat, are centred around the development of the emerging markets of Asia and our ability to recognise and harness new technologies.

#### Trading risks

The successful launch of new products and expansion in new markets is key to obtaining growth and fending off increasing competition around traditional core technologies.

#### Exchange risks

The company seeks to mitigate this risk through the provision of forward contracts.

#### Financial risks

The company generates cash and is part of the global bank pooling arrangements of its parent company which provides sufficient working capital for its business needs, there is no exposure to future debt repayments or interest demands.

#### Liability risks

There is no known exposure to legal claims as of 31 December 2006.

### Results and dividend

The profit after taxation for the year ended 31 December 2006 was £6,276,000 (2005 profit of £5,259,000). Further details for the year are shown in the profit and loss account on page 7.

No dividend was paid during the year (2005 £24,000,000).

## Directors' report *(continued)*

### Directors

The directors who served during the year were as follows

JC Webster  
PI Walker  
Dr DJ Bishop  
AR Bragginton  
RW Prestidge  
DM Roberts  
J Martin (appointed 1 January 2007)

### Directors' interests

The interests of JC Webster in the shares and share options of Spectris plc, the ultimate holding company, are disclosed in the financial statements of that company

The interests of other directors in the ordinary share capital of Spectris plc, the ultimate holding company, are as follows

	At 31 December 2006 Number	At 31 December 2005 Number
PI Walker	12,633	22,633
Dr DJ Bishop	9,798	9,050
AR Bragginton	5,127	5,127
RW Prestidge	5,296	4,509
DM Roberts	1,000	1,000

At 31 December 2006, the other directors held the following share options in the ordinary 5p shares of Spectris plc,

Directors	Number of options during the year				At 31 12 06	Exercise price	Market price at date of exercise	Date exercisable	Expiry date
	At 01 01 06	Granted	Exercised	Lapsed					
P Walker	6,155				6,155	550 7095p		Mar 01	Mar 08
	15,000				15,000	525p		Oct 03	Oct 10
	15,000		15,000		-	357 5p	672 8p	Mar 06	Oct 11
	748		748			468 5p	681 5p	Dec 06	Jun 07
	1,439				1,439	408p		Dec 07	Jun 08
DJ Bishop		581			581	618p		Dec 09	Jun 10
	4,616				4,616	550 7095p		Mar 01	Mar 08
	5,129		5,129			238 8032p	691 0p	Sep 01	Sep 08
	7 000				7,000	525p		Oct 03	Oct 10
	7,000		7,000			357 5p	668 0p	Mar 06	Oct 11
SAYE	748		748			468 5p	681 5p	Dec 06	Jun 07
SAYE	1,439				1,439	408p		Dec 07	Jun 08
SAYE		581			581	618p		Dec 09	Jun 10
AR Bragginton	4,616				4,616	550 7095p		Mar 01	Mar 08
	5,000				5,000	525p		Oct 03	Oct 10
	5,000				5,000	357 5p		Mar 06	Oct 11
		1,529			1,529	618p		Dec 09	Jun 10

## Directors' report (continued)

### Directors' interests (continued)

Directors	Number of options during the year				At 31 12 06	Exercise price	Market price at date of exercise	Date exercisable	Expiry date
	At 01 01 06	Granted	Exercised	Lapsed					
RW Prestidge	4,846				4,846	618 9389p		Oct 00	Oct 07
	5,000				5,000	525p		Oct 11	Oct 10
	5,000		5,000			357 5p	643 1p	Mar 06	Oct 11
SAYE	787		787			468 5p	681 5p	Dec 06	Jun 07
SAYE	789				789	408p		Dec 07	Jun 08
D Roberts	5,000				5,000	525p		Oct 03	Oct 10
	5,000		5,000			357 5p	648 5p	Mar 06	Oct 11
SAYE	787		787			468 5p	681 5p	Dec 06	Jun 07
SAYE	1,393				1,393	408p		Dec 07	Jun 08
SAYE		611			611	618p		Dec 09	Jun 10
SAYE	2,322				2,322	408p		Dec 07	June 08

The mid-market price of Spectris plc ordinary shares at 31 December 2006 was 783 5p (2005 633 5p). The highest share price in the year was 795 25p and the lowest was 540 25p.

Except where shown as SAYE above, the above relates to the Group's Executive Share Option Schemes.

Entitlement to exercise options granted under the Spectris 1996 Executive Share Plan is conditional upon the achievement of growth in normalised earnings per share (EPS) over three consecutive financial years between grant and exercise of at least 2% per annum in excess of growth in the retail price index.

In addition, at 31 December 2006, the directors were deemed to have a non-beneficial interest in 67,491 (2005 1,133,395) ordinary shares in the share capital of Spectris plc, the company's ultimate holding company, held by the Trustee of Spectris plc Employment Benefit Trust, of which they are among the class of discretionary beneficiaries.

No director had any interest in the shares or loan capital of any subsidiary company of Spectris plc.

### Employment policy

The company is an equal opportunities employer. It is the company's policy to give full and fair consideration to the applications for employment by disabled people, to continue wherever possible the employment of those who become disabled whilst employed and to provide career training opportunities commensurate with their ability.

Employee involvement is encouraged at all levels throughout the organisation, through regular management meetings.

Health and Safety remains core to our business principles. We continue to develop our formal Health and Safety Management System to reflect the growth of the business and changing regulatory requirements.

### Research and Development

The directors consider that new product development and innovation play an important role in the company's success and, accordingly, they continue to further the company's research and development programme.

### Payment to suppliers

It is the company's general policy to abide by the terms of payment agreed with its suppliers.

At 31 December 2006, the number of creditor days outstanding was 51 days (2005 59 days).

## Directors' report *(continued)*

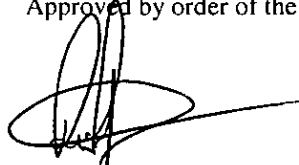
### Disclosure of information to auditor

The directors who held office at the date approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

### Auditors

By elective resolutions passed by the company in a general meeting on 30 April 1993 the company dispensed with the requirement to lay financial statements before the company in a general meeting, the holding of annual general meetings and the obligation to appoint auditors annually

Approved by order of the board of directors on 20 July 2007 and signed on its behalf by



**RW Prestidge**  
*Director*

Enigma Business Park  
Groveswood Road  
Malvern  
Worcestershire  
WR14 1XZ

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The company financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street  
Birmingham  
B3 2DL

## **Independent auditors' report to the members of Malvern Instruments Limited**

We have audited the financial statements of Malvern Instruments Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



**Independent auditors' report to the members of Malvern Instruments Limited**  
*(continued)*

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

20 July 2007

**Profit and loss account**  
*for the year ended 31 December 2006*

	<i>Note</i>	<b>2006</b> <b>£000</b>	<b>2005</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>44,097</b>	37,759
Cost of sales		(18,749)	(16,425)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>25,348</b>	21,334
Distribution costs		(484)	(454)
Administrative expenses		(15,936)	(13,530)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>8,928</b>	7,350
Net interest (payable)/receivable	<b>4</b>	(355)	474
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>8,573</b>	7,824
Tax on profit on ordinary activities	<b>7</b>	(2,297)	(2,565)
		<hr/>	<hr/>
<b>Profit for the financial year</b>	<b>15</b>	<b>6,276</b>	5,259
		<hr/>	<hr/>

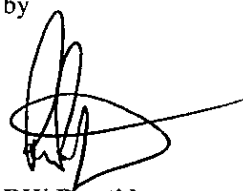
There were no recognised gains or losses other than the result for the year and the preceding year reported above, and therefore no separate statement of total recognised gains and losses has been presented

All results in current financial year relate to continuing activities

**Balance sheet**  
*at 31 December 2006*

	<i>Note</i>	2006 £000	2005 £000
<b>Fixed assets</b>			
Intangible fixed assets	8	6,697	7,644
Tangible assets	9	7,180	7,327
		<hr/> 13,877	<hr/> 14,971
<b>Current assets</b>			
Stocks	10	4,299	3,595
Debtors	11	8,118	8,044
Cash at bank and in hand		153	207
		<hr/> 12,570	<hr/> 11,846
<b>Creditors: Amounts falling due within one year</b>	12	(14,289)	(20,548)
<b>Net current liabilities</b>		<hr/> (1,719)	<hr/> (8,702)
<b>Total assets less current liabilities</b>		<hr/> 12,158	<hr/> 6,269
Provisions for liabilities and charges	13	(131)	(518)
<b>Net assets</b>		<hr/> 12,027	<hr/> 5,751
<b>Capital and reserves</b>			
Called up share capital	14	272	272
Capital redemption reserve	15	109	109
Profit and loss account	15	11,646	5,370
<b>Equity shareholders' funds</b>	16	<hr/> 12,027	<hr/> 5,751

These financial statements were approved by the board of directors on 20 July 2007 and were signed on its behalf by



**RW Prestidge**  
*Director*

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

In these financial statements the following new Financial Reporting Standard has been adopted for the first time

- FRS 20 'Share-based payments'

Further details are set out below

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard 1 'Cash flow statements' the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Spectris plc the company has taken advantage of the exception contained in Financial Reporting Standard 8 'Related party transactions' and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Spectris plc, within which this company is included, can be obtained from the address given in note 21

#### ***Goodwill***

Purchased goodwill, representing the excess of the fair value of the consideration paid over the fair value of the separable net assets acquired, is capitalised and amortised over ten years, being the directors' estimate of useful economic life

#### ***Tangible fixed assets***

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Freehold buildings	2% per annum
Plant, equipment and motor vehicles	10 - 25% per annum
Computer equipment	33% per annum

No depreciation is provided on freehold land

#### ***Leased assets***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

#### ***Stocks***

Stocks are valued at the lower of cost and net realisable value Cost comprises materials, direct labour and attributable manufacturing overheads where appropriate Net realisable value represents the estimated selling price less the costs of completion, marketing, selling and distribution

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which has arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred tax'

## Notes (continued)

### 1 Accounting policies (continued)

#### *Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction or, if appropriate, at the rate of exchange under the related forward currency contract. Balances denominated in foreign currencies are translated into sterling at the exchange rates ruling on the balance sheet date or, if appropriate, at rates specified in related forward exchange contracts. Exchange differences arising in respect of transactions and balances denominated in foreign currencies are reflected in the result for the year.

#### *Post retirement benefits*

The company participates in a multi-employer pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Spectris plc also operates a defined contribution pension scheme. The company participates in this scheme and the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. The company also contributes to personal pension schemes in respect of some employees.

#### *Research and development*

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### *Share based payments*

The share option programme allows employees to acquire shares of the parent company, Spectris plc. The fair value of options granted after 7 November 2002 and those not yet vested as at 31 December 2006 is recognised as an employee expense in the profit and loss account. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

### 2 Turnover

Turnover represents the invoiced amount of goods sold, excluding value added tax. The analysis of turnover by geographical area is as follows:

	2006 £000	2005 £000
United Kingdom	4,616	3,840
Rest of Europe	13,696	12,101
Asia and Australia	15,298	12,364
America	10,433	9,185
Africa	54	269
	<hr/> 44,097 <hr/>	<hr/> 37,759 <hr/>

## Notes (continued)

### 3 Operating profit

	2006 £000	2005 £000
<i>Operating profit is stated</i>		
<i>after charging/(crediting)</i>		
Depreciation	800	526
Amortisation of goodwill	947	948
Exchange loss/(gain)	161	(172)
Research and development expenditure	3,407	2,352
Operating lease rentals		
Plant and machinery	174	179
	<hr/>	<hr/>
Auditors' remuneration		
Audit of these financial statements	33	32
	<hr/>	<hr/>

Amounts receivable by the company's auditor in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the company's ultimate parent company, Spectris plc

### 4 Net interest (payable)/receivable

	2006 £000	2005 £000
Interest receivable from group undertakings	-	577
Other interest receivable	3	6
	<hr/>	<hr/>
	3	583
Interest payable to group undertakings	(358)	(109)
	<hr/>	<hr/>
	(355)	474
	<hr/>	<hr/>

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2006	2005
Production	70	65
Sales and administration	116	124
	<hr/>	<hr/>
	186	189
	<hr/>	<hr/>

## Notes (continued)

### 5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	2006	2005 As restated
	£000	£000
Wages and salaries	6,743	6,282
Share based payments (see note 17)	133	21
Social security costs	808	719
Other pension costs	354	335
	<hr/> 8,038 <hr/>	<hr/> 7,357 <hr/>

### 6 Directors' emoluments

	2006	2005
	£000	£000
Emoluments	<hr/> 1,136 <hr/>	<hr/> 1,054 <hr/>

Four directors participated in the defined benefit pension scheme (2005 *four*), two directors (2005 *two*) participated in the defined contribution pension scheme and one (2005 *one*) director participated in a personal pension scheme. Four directors exercised share options during the year (2005 *five*), making gains of £121,000 (2005 *£2,000*), and no directors received options under long-term incentive schemes (2005 *None*).

The emoluments, excluding pension contributions, of the highest paid director were £356,000 (2005 *£249,000*). Under the defined benefit pension scheme, his accrued pension at the year end was £23,100 (2005 *£21,000*) and the accrued lump sum was £51,900 (2005 *£47,000*).

### 7 Tax on profit on ordinary activities

	2006	2005
	£000	£000
<i>UK corporation tax</i>		
Current tax on income in year	2,527	2,640
Adjustments in respect of prior years	157	(228)
Total current tax charge	<hr/> 2,684 <hr/>	<hr/> 2,412 <hr/>
<i>Deferred tax (see note 13)</i>		
Deferred tax on income in year	90	63
Adjustments in respect of prior years	(477)	90
Tax on profit on ordinary activities	<hr/> 2,297 <hr/>	<hr/> 2,565 <hr/>

## Notes (continued)

### 7 Tax on profit on ordinary activities (continued)

The current tax charge for the period is higher (2005 higher) than the standard rate of corporation tax in the UK of 30% (2005 30%). The difference is explained below

	2006 £000	2005 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	8,573	7,824
	<hr/>	<hr/>
Current tax at 30% (2005 30%)	2,572	2,347
	<hr/>	<hr/>
<i>Effects of</i>		
Expenses not deductible for tax purposes	45	356
Capital allowances in excess of depreciation	(90)	(63)
Adjustments in respect of prior years	157	(228)
	<hr/>	<hr/>
Total current tax charge	<u>2,684</u>	<u>2,412</u>

It has been announced that the corporation tax rate applicable to the company is expected to change from 30% to 28% from 1 April 2008. The deferred tax liability has been calculated at 30% in accordance with FRS 19 'Deferred Tax'.

### 8 Intangible assets

	Goodwill £000
<i>Cost</i>	
At beginning and end of year	9,010
	<hr/>
<i>Amortisation</i>	
At beginning of year	1,366
Charged in year	947
	<hr/>
At end of year	2,313
	<hr/>
<i>Net book value</i>	
At 31 December 2006	<u>6,697</u>
	<hr/>
At 31 December 2005	<u>7,644</u>
	<hr/>



## Notes (continued)

### 9 Tangible assets

	Freehold land and buildings £000	Plant, equipment and motor vehicles £000	Total £000
<b>Cost</b>			
At beginning of year	6,064	4,875	10,939
Additions	-	653	653
	<hr/>	<hr/>	<hr/>
At end of year	6,064	5,528	11,592
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	767	2,845	3,612
Charge for the year	124	676	800
	<hr/>	<hr/>	<hr/>
At end of year	891	3,521	4,412
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2006	5,173	2,007	7,180
	<hr/>	<hr/>	<hr/>
At 31 December 2005	5,297	2,030	7,327
	<hr/>	<hr/>	<hr/>

Included in the total net book value of freehold land and buildings is £1,286,000 (2005 £1,286,000) in respect of freehold land. This land is not depreciated.

### 10 Stocks

	2006 £000	2005 £000
Raw materials	1,573	1,129
Work in progress	1,453	1,204
Finished goods	1,273	1,262
	<hr/>	<hr/>
	4,299	3,595
	<hr/>	<hr/>

### 11 Debtors

	2006 £000	2005 £000
Trade debtors	5,680	4,757
Amounts owed by group undertakings	1,574	2,609
Other debtors	758	512
Prepayments and accrued income	106	166
	<hr/>	<hr/>
	8,118	8,044
	<hr/>	<hr/>

## Notes (continued)

### 12 Creditors: Amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	4,286	2,902
Amounts owed to group undertakings	251	11,132
Corporation tax	5,378	2,694
Other creditors including taxation and social security	2,168	1,519
Accruals and deferred income	2,206	2,301
	<u>14,289</u>	<u>20,548</u>

### 13 Provisions for liabilities and charges

#### Deferred tax

The deferred tax liability, provided under FRS 19 'Deferred tax' using a tax rate of 30% (2005 30%), is as follows

	£000
At beginning of year	518
Credit to the profit and loss account for the year	(387)
	<u>131</u>
At end of year	

	2006 £000	2005 £000
Accelerated capital allowances	137	524
Short term timing differences	(6)	(6)
	<u>131</u>	<u>518</u>
Deferred taxation liability		

### 14 Share capital

	2006 £000	2005 £000
<i>Authorised</i>		
500,000 ordinary shares of £1 each	500	500
	<u>500</u>	<u>500</u>
<i>Allotted, called up and fully paid</i>		
272,290 ordinary shares of £1 each	272	272
	<u>272</u>	<u>272</u>

## Notes (continued)

### 15 Reserves

	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	109	5,370
Profit for the financial year	-	6,276
<b>At end of year</b>	<b>109</b>	<b>11,646</b>

### 16 Reconciliation of movement in equity shareholders' funds

	2006 £000	2005 £000
Profit for the financial year	6,276	5,259
Dividends paid	-	(24,000)
Opening equity shareholders' funds	5,751	24,492
<b>Closing equity shareholders' funds</b>	<b>12,027</b>	<b>5,751</b>

### 17 Change in accounting policy

As detailed in note 1 and note 5, the company has adopted FRS 20 'Share-based payments' which became effective for accounting periods beginning on or after 1 January 2006. Whilst additional disclosures have been included in the financial statements the adoption of this Standard has no effect on the reported profits or reserves of the company.

### 18 Commitments

#### Capital expenditure

Future capital expenditure commitments for which no provision has been made in these financial statements are as follows:

	2006 £000	2005 £000
Contracted	107	324

#### Operating leases

Annual commitments under non-cancellable operating leases (none of which relate to land or buildings) are as follows:

	2006 £000	2005 £000
Expiring within one year	25	34
Expiring between two and five years	129	126
<b>Total</b>	<b>154</b>	<b>160</b>

## Notes (continued)

### 19 Pensions

The company is a member of a multi-employer pension scheme (the Spectris Pension Plan) providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for, in these financial statements, as if the scheme was a defined contribution scheme. The total deficit of the Plan at 31 December 2006 was £12.6 million.

The latest full actuarial valuation was carried out at 31 December 2005 and was updated for FRS 17 purposes to 31 December 2006 by an independent qualified actuary.

The Spectris Pension Plan is closed to new members. Contributions payable by the company amounted to £237,000 for the year ended 31 December 2006 (2005 £226,000).

Spectris plc also operates a defined contribution pension plan, membership of which is available to the qualifying UK employees of group companies. Contributions payable by the company to the plan and to personal pension plans amounted to £117,000 for the year ended 31 December 2006 (2005 £109,000).

Contributions amounting to £20,000 (2005 £19,000) were payable to the defined benefits scheme at the year end, and £Nil (2005 £Nil) was payable to personal pension plans and are included in creditors.

Further details are given in the accounts of Spectris plc.

### 20 Contingent liabilities

With certain other members of the Spectris Group, the company has guaranteed facilities made available to Spectris plc, in respect of which the following amounts were outstanding at 31 December 2006:

Royal Bank of Scotland £3,600,000 (2005 £4,600,000)

### 21 Ultimate parent company

The company is a subsidiary undertaking of Spectris plc which is incorporated in Great Britain.

The largest and smallest group in which the results of the company are consolidated is that headed by Spectris plc, incorporated in Great Britain. The consolidated accounts of this company are available to the public and may be obtained from Spectris plc, Station Road, Egham, Surrey, TW20 9NP. No other group accounts include the results of the company.