

Malvern Instruments Limited

**Directors' report and financial
statements**

Registered number 1020602

For the year ended 31 December 2008



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

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.

Results and dividend

The profit after taxation for the year ended 31 December 2008 was £4,940,000 (2007: £6,664,000). Further details for the year are shown in the profit and loss account on page 6.

A dividend of £10,000,000 was paid in the year (2007: £Nil).

Business review

2008

Sales were positively impacted by favourable exchange rate movements in the second half of the year and from the inclusion of sales attributable to the acquisition of the trade and certain assets and liabilities of Viscotek Europe Limited (see note 21). Margin performance remained steady, but higher spend on new product development and associated launch costs led to a reduction in overall profit relative to the prior year.

Outlook for 2009

The global economic outlook for 2009 is uncertain at best. However, the company has a broad range of products and serves a wide variety of industries in many territories, which it is hoped will mitigate the worse effects of a recession. The company will take what ever action it needs to, to protect both its profitability and long term growth prospects.

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 use 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.

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
Neil Lewis (appointed 1 January 2009)

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 2008, the number of creditor days outstanding was 51 days (2007: 59 days).

Disclosure of information to auditor

The directors who held office at the date of 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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

Approved by order of the board of directors on 10 July 2009 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 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 auditor's report to the members of Malvern Instruments Limited

We have audited the financial statements of Malvern Instruments Limited for the year ended 31 December 2008 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 auditor

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 3.

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 auditor's 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 2008 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

10 July 2009

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover	2	49,818	44,981
Cost of sales		(20,361)	(19,455)
		<hr/>	<hr/>
Gross profit		29,457	25,526
Distribution costs		(685)	(618)
Administrative expenses		(21,479)	(16,390)
		<hr/>	<hr/>
Operating profit	3	7,293	8,518
Net interest receivable	4	246	108
		<hr/>	<hr/>
Profit on ordinary activities before taxation		7,539	8,626
Tax on profit on ordinary activities	8	(2,599)	(1,962)
		<hr/>	<hr/>
Profit for the financial year	16	4,940	6,664
		<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 the current and preceding financial year relate to continuing activities.

Balance sheet
at 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Fixed assets			
Intangible fixed assets	<i>9</i>	4,803	5,750
Tangible assets	<i>10</i>	6,724	6,924
		<hr/>	<hr/>
		11,527	12,674
Current assets		<hr/>	<hr/>
Stocks	<i>11</i>	5,609	3,884
Debtors	<i>12</i>	10,997	12,290
Cash at bank and in hand		616	2,306
		<hr/>	<hr/>
		17,222	18,480
Creditors: Amounts falling due within one year	<i>13</i>	(14,980)	(12,436)
		<hr/>	<hr/>
Net current assets		2,242	6,044
		<hr/>	<hr/>
Total assets less current liabilities, being net assets		13,769	18,718
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>15</i>	272	272
Capital redemption reserve	<i>16</i>	109	109
Profit and loss account	<i>16</i>	13,388	18,337
		<hr/>	<hr/>
Equity shareholders' funds	<i>17</i>	13,769	18,718
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 10 July 2009 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:

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 the ultimate parent undertaking, Spectris plc, 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 22.

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. Goodwill is subject to an annual impairment review and provision is made for any impairment in value.

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 result 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, the Spectris Pension Plan, 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 ultimate parent company, Spectris plc. The fair value of options granted after 7 November 2002 and not vested as at the beginning of the financial year 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:

	2008 £000	2007 £000
United Kingdom	5,224	5,007
Rest of Europe	19,883	16,220
Asia and Australia	15,112	16,024
Americas	9,178	7,289
Africa	421	441
	<u>49,818</u>	<u>44,981</u>

Notes (continued)

3 Operating profit

	2008 £000	2007 £000
<i>Operating profit is stated</i>		
<i>after charging</i>		
Amortisation of goodwill	947	947
Impairment of goodwill	1,258	-
Depreciation	880	828
Research and development expenditure	4,781	4,140
Operating lease rentals:		
Plant and machinery	234	157
Exchange loss	202	2
	<hr/>	<hr/>
Auditor's remuneration:		
Audit of these financial statements	36	34
	<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 receivable

	2008 £000	2007 £000
Interest receivable from group undertakings	176	126
Other interest receivable	77	13
	<hr/>	<hr/>
	253	139
Interest payable to group undertakings	(7)	(31)
	<hr/>	<hr/>
	246	108
	<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	
	2008	2007
Production	75	73
Sales and administration	128	118
	<hr/>	<hr/>
	203	191
	<hr/>	<hr/>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	7,081	6,639
Share based payments	127	120
Social security costs	755	724
Other pension costs	456	430
	<u>8,419</u>	<u>7,913</u>

6 Share based payments

The Executive Share Option Scheme and Save As You Earn share option schemes were set up in order to provide executives and selected employees with options to purchase ordinary shares in Spectris plc, the ultimate parent company. Under the Executive Share Option Scheme, exercise prices are determined according to the mid-market closing share price prevailing on the day before the date of grant. Share options granted under the Executive Share Option Scheme are also subject to performance criteria, being the fulfilment of earnings growth targets. Options vest after a period of three years, and have a maximum term of ten years.

Under the Save As You Earn scheme, equity shares are issued following a vesting period of three years. Options may be exercised during a six-month period following the vesting date, and exercise prices are determined according to the mid-market closing share price prevailing on the day before the date of grant. There are no performance criteria associated with options granted under the Save As You Earn scheme.

The company recognised a charge of £16,000 (2007: £93,000) in relation to the above schemes which has been recharged from Spectris plc.

Under the Performance Share Plan, the exercise price is the nominal cost of the company's shares. Awards are subject to performance criteria, 50% of the award being based on fulfilment of earnings growth targets and 50% subject to a Total Shareholders' Return target. Awards vest after a period of three years and must be exercised during the twelve-month period following vesting.

The company has recognised a charge of £111,000 (2007: £27,000) in administrative expenses in relation to the above scheme.

Share Options outstanding at the end of the year

Save As You Earn

Year of grant	Exercise price (£)	Exercise period	2008 Number	2007 Number
2004	4.08	2007-2008	-	4,131
2005	5.89	2008-2009	5,954	6,588
2006	6.18	2009-2010	18,331	22,272
2007	8.37	2010-2011	12,023	19,286
2008	7.66	2011-2012	20,137	-

Notes (continued)

6 Share based payments (continued)

Share Options outstanding at the end of the year (continued)

Executive Share Option Scheme

Year of grant	Exercise price (£)	Exercise period	2008 Number	2007 Number
1998	5.51	2001-2008	-	4,616
1999	3.96	2002-2009	3,587	4,612
2000	5.25	2003-2010	28,000	28,000
2001	3.58	2004-2011	6,000	6,000

Performance Share Plan

Year of grant	Exercise price (£)	Exercise period	2008 Number	2007 Number
2007	0.05	2010-2011	27,800	27,800
2008	0.05	2011-2012	46,900	-

Movements in the year

Save As You Earn

	Number	Weighted average exercise price £	Value of shares £
At 1 January 2008	52,277	6.79	354,961
Granted	20,137	7.66	154,249
Exercised	(3,575)	4.18	(14,944)
Lapsed	(12,394)	7.35	(91,096)
At 31 December 2008	56,445	7.14	403,170
Exercisable at 31 December 2008	5,954	5.89	35,069

Executive Share Option Scheme

	Number	Weighted average exercise price £	Value of shares £
At 1 January 2008	43,228	4.91	212,250
Exercised	(5,641)	5.24	(29,559)
At 31 December 2008	37,587	4.86	182,691
Exercisable at 31 December 2008	37,587	4.86	182,691

Notes (continued)

6 Share based payments (continued)

Movements in the year (continued)

Performance Share Plan

	Number	Weighted average exercise price £	Value of shares £
At 1 January 2008	27,800	0.05	1,390
Granted	46,900	0.05	2,345
At 31 December 2008	74,700	0.05	3,735
Exercisable at 31 December 2008	-	-	-

Share based Payments Expense

Share options are valued using a stochastic option pricing model, with support from an independent remuneration consultant. The Total Shareholder Return (TSR) performance condition was included in the calculation of fair value under the Performance Share Plan. For options granted in 2008 and 2007, the fair value per option granted and the assumptions used in the calculation are as follows:

	2008 Save As You Earn	2007 Save As You Earn	2008 Performance Share Plan	2007 Performance Share Plan
Weighted average share price (pence)	549	889	654 - 789	865 - 899
Weighted average exercise price (pence)	766	837	5	5
Expected volatility	26.7%	22.0%	23.0% - 28.2%	20.6% - 22.4%
Expected life	3.25yrs	3.25 yrs	3.0 yrs	3.0 yrs
Risk-free rate	3.8%	5.1%	1.09% - 5.21%	4.95% - 5.19%
Expected dividends (expressed as a yield)	3.9%	2.1%	-	-
Fair value per option	7.0%	21.5%	-	-
Fair value per award – TSR condition	-	-	65.0% - 74.0%	59.7% - 65.6%
Fair value per award – Profit condition	-	-	99.1% - 99.4%	99.5%
Fair value per award – EPS condition	-	-	99.1% - 99.4%	99.5%

The expected volatility is based on historical volatility over the expected term. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life.

No options were granted under the Executive Share Option Scheme.

7 Directors' emoluments

	2008 £000	2007 £000
Emoluments	644	847

Four directors participated in the defined benefit pension scheme (2007: four), one director (2007: one) participated in the defined contribution pension scheme and one (2007: one) director participated in a personal pension scheme.

Notes (continued)

7 Directors' emoluments (continued)

One director exercised share options during the year (2007: four), making gains of £11,992 (2007: £92,000), and no directors received options under long-term incentive schemes (2007: None).

The emoluments, excluding pension contributions, of the highest paid director were £145,000 (2007: £225,000). Under the defined benefit pension scheme, his accrued pension at the year end was £28,910 (2007: £27,000) and the accrued lump sum was £134,328 (2007: £126,200).

8 Tax on profit on ordinary activities

	2008 £000	2007 £000
<i>UK corporation tax</i>		
Current tax on income in year	2,602	2,601
Adjustments in respect of prior years	99	51
	<hr/> 2,701	<hr/> 2,652
<i>Deferred tax (see note 14)</i>		
Deferred tax on income in year	(111)	37
Withdrawal of industrial buildings allowances	-	(717)
Effect of change in rate	-	40
Adjustments in respect of prior years	9	(50)
	<hr/> (102)	<hr/> (690)
	<hr/> 2,599	<hr/> 1,962

The current tax charge for the period is higher (2007: higher) than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The difference is explained below:

	2008 £000	2007 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	7,539	8,626
	<hr/> 2,149	<hr/> 2,588
<i>Effects of:</i>		
Expenses not deductible for tax purposes	342	50
Capital allowances in excess of depreciation and other timing differences	111	(37)
Adjustments in respect of prior years	99	51
	<hr/> 2,701	<hr/> 2,652

On 1 April 2008 the current tax rate reduced from 30% to 28%. Therefore the current tax rate applying to the year ended 31 December 2008 is a hybrid rate of 28.5%.

Notes (continued)

9 Intangible assets

	Goodwill £000
<i>Cost</i>	
At beginning of year	9,010
Additions (see note 21)	1,258
	<hr/>
At end of year	10,268
	<hr/>
<i>Amortisation</i>	
At beginning of year	3,260
Charged in year	947
Impairment	1,258
	<hr/>
At end of year	5,465
	<hr/>
<i>Net book value</i>	
At 31 December 2008	4,803
	<hr/>
At 31 December 2007	5,750
	<hr/>

10 Tangible assets

	Freehold land and buildings £000	Plant, equipment and motor vehicles £000	Total £000
<i>Cost</i>			
At beginning of year	6,064	5,108	11,172
Additions	11	672	683
Disposals	-	(622)	(622)
	<hr/>	<hr/>	<hr/>
At end of year	6,075	5,158	11,233
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of year	1,015	3,233	4,248
Charge for the year	122	758	880
Disposals	-	(619)	(619)
	<hr/>	<hr/>	<hr/>
At end of year	1,137	3,372	4,509
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2008	4,938	1,786	6,724
	<hr/>	<hr/>	<hr/>
At 31 December 2007	5,049	1,875	6,924
	<hr/>	<hr/>	<hr/>

Included in the total net book value of freehold land and buildings is £1,286,000 (2007: £1,286,000) in respect of freehold land which is not depreciated.

Notes (continued)

11 Stocks

	2008 £000	2007 £000
Raw materials	2,401	1,335
Work in progress	1,678	1,426
Finished stocks	1,530	1,123
	<u>5,609</u>	<u>3,884</u>

12 Debtors

	2008 £000	2007 £000
Trade debtors	6,602	5,693
Amounts owed by group undertakings	2,818	5,633
Deferred tax asset (see note 14)	661	559
Other debtors	769	264
Prepayments and accrued income	147	141
	<u>10,997</u>	<u>12,290</u>

13 Creditors: Amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	4,495	4,135
Amounts owed to group undertakings	3,799	1,861
Corporation tax	2,621	2,452
Other creditors including taxation and social security	1,564	2,374
Accruals and deferred income	2,501	1,614
	<u>14,980</u>	<u>12,436</u>

14 Deferred tax

The deferred tax asset (2007: *asset*), provided under FRS 19 'Deferred tax' using a tax rate of 28% (2007: 28%), is as follows:

	£000
At beginning of year	559
Credit to the profit and loss account for the year	102
	<u>661</u>
At end of year (see note 12)	<u>661</u>

Notes (continued)

14 Deferred tax (continued)

	2008 £000	2007 £000
Accelerated capital allowances	657	513
Short term timing differences	4	46
	<hr/>	<hr/>
Deferred tax asset (see note 12)	661	559
	<hr/>	<hr/>

15 Share capital

	2008 £000	2007 £000
<i>Authorised</i>		
500,000 ordinary shares of £1 each	500	500
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
272,290 ordinary shares of £1 each	272	272
	<hr/>	<hr/>

16 Reserves

	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	109	18,337
Profit for the financial year	-	4,940
Share based payments (note 6)	-	111
Dividend	-	(10,000)
	<hr/>	<hr/>
At end of year	109	13,388
	<hr/>	<hr/>

17 Reconciliation of movement in equity shareholders' funds

	2008 £000	2007 £000
Profit for the financial year	4,940	6,664
Share based payments (note 6)	111	27
Dividend	(10,000)	-
Opening equity shareholders' funds	18,718	12,027
	<hr/>	<hr/>
Closing equity shareholders' funds	13,769	18,718
	<hr/>	<hr/>

Notes (continued)

18 Commitments

Capital expenditure

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

	2008 £000	2007 £000
Contracted	4	26

Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2008 £000	2007 £000	Plant and equipment 2008 £000	2007 £000
Expiring within one year	32	-	39	22
Expiring between two and five years	-	-	244	281
	32	-	283	303

19 Pensions

The company is a member of a multi-employer pension scheme (the Spectris Pension Plan) providing benefits based on final pensionable pay. As 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 2008 was £0.7 million (2007: £4.8 million).

The latest full actuarial valuation was carried out at 31 December 2005 and was updated for FRS 17 purposes to 31 December 2008 by an independent qualified actuary.

The Spectris Pension Plan is closed to new members. Contributions payable by the company amounted to £281,000 for the year ended 31 December 2008 (2007: £285,000).

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 £175,000 for the year ended 31 December 2008 (2007: £145,000).

Contributions amounting to £Nil (2007: £26,000) were payable to the defined benefits pension scheme at the year end, and £Nil (2007: £Nil) was payable to the defined contribution scheme and personal pension plans and are included in creditors.

Further details are given in the financial statements 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 2008:

Royal Bank of Scotland £4,100,000 (2007: £3,700,000).

Notes (continued)

21 Acquisition of businesses

On 29 February 2008, the company acquired the trade and certain assets and liabilities of Viscotek Europe Limited.

The fair value of this acquisition is shown below.

	Acquisition and fair value amounts £000
Net assets at the acquisition date:	
Plant and equipment	56
Stock	117
Trade and other debtors	201
Cash and cash equivalents	713
Trade and other creditors due within one year	(266)
	<hr/>
Net identifiable assets and liabilities	821
Goodwill on acquisition	1,258
	<hr/>
Consideration paid	2,079
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Satisfied by:	
Cash	2,079
	<hr/>

22 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 may be obtained from Spectris plc, Station Road, Egham, Surrey, TW20 9NP.