

Malvern Instruments Limited

**Directors' report and financial
statements**

Registered number 1020602

For the year ended 31 December 2009

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Directors' report

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

Principal activities

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

Business review

2009

The year started with a high degree of uncertainty over the global economy, which resulted in the clear slowing of the overall market for our products. Some restructuring was required together with tighter cost controls to protect both profit and cash flows. As the year moved into the last quarter, there were some signs of improvement which lifted sales above previous forecasts and resulted in a significantly improved profit performance over 2008.

Outlook for 2010

Whilst the performance in 2009 was somewhat better than might have been expected, there is still a high degree of uncertainty as to how the global economy will perform over the coming year. The company will therefore continue to manage its cost base appropriately whilst still seeking to maximise opportunities for both product and market development.

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.

Intellectual property risks

Malvern Instruments Limited protects its intellectual property through patents registered in key geographical markets and by monitoring infringements and challenges within those markets.

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

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 2009, the number of creditor days outstanding was 63 days (2008: 51 days).

Dividends

Dividends paid during the year comprise a final dividend of £4,940,000, in respect of the year ending 31 December 2008 (2008: £10,000,000).

Disclosure of information to auditor

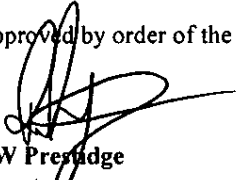
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself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

Directors' report *(continued)*

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 12 February 2010 and signed on its behalf by


RW Prestidge
Director

Enigma Business Park
Groewood 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).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have 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

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

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 2009 set out on pages 7 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 to 496 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 directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the 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 web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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

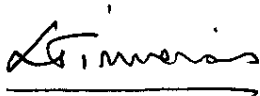
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Malvern Instruments Limited
(continued)

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



X Timmermans
Senior Statutory Auditor
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

12 February 2010

Profit and loss account
for the year ended 31 December 2009

| | <i>Note</i> | 2009 £000 | 2008 £000 |
|--|-------------|----------------------|----------------------|
| Turnover | 2 | 56,602 | 49,818 |
| Cost of sales | | (21,081) | (20,361) |
| | | <hr/> | <hr/> |
| Gross profit | | 35,521 | 29,457 |
| Distribution costs | | (615) | (685) |
| Administrative expenses | | (21,390) | (21,479) |
| | | <hr/> | <hr/> |
| Operating profit | 3 | 13,516 | 7,293 |
| Net interest receivable | 4 | 49 | 246 |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 13,565 | 7,539 |
| Tax on profit on ordinary activities | 8 | (4,570) | (2,599) |
| | | <hr/> | <hr/> |
| Profit for the financial year | 16 | 8,995 | 4 940 |
| | | <hr/> | <hr/> |

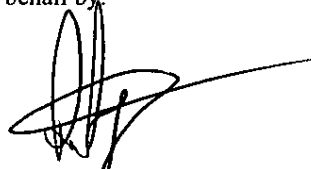
There were no recognised gains or losses other than the result for the year and the preceding year reported above, and therefore no separate statement of total recognised gains and losses has been presented

All results in the current and preceding financial year relate to continuing activities

Balance sheet
at 31 December 2009

| | <i>Note</i> | 2009 £000 | 2008 £000 |
|--|-------------|----------------------------|--------------|
| Fixed assets | | | |
| Intangible fixed assets | 9 | 3,894 | 4,803 |
| Tangible assets | 10 | 6,136 | 6,724 |
| | | <hr/> | <hr/> |
| | | 10,030 | 11,527 |
| Current assets | | | |
| Stocks | 11 | 4,237 | 5,609 |
| Debtors | 12 | 16,228 | 10,997 |
| Cash at bank and in hand | | 3,256 | 616 |
| | | <hr/> | <hr/> |
| | | 23,721 | 17,222 |
| Creditors Amounts falling due within one year | 13 | (15,936) | (14,980) |
| | | <hr/> | <hr/> |
| Net current assets | | 7,785 | 2,242 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities, being net assets | | 17,815 | 13,769 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 15 | 272 | 272 |
| Capital redemption reserve | 16 | 109 | 109 |
| Profit and loss account | 16 | 17,434 | 13,388 |
| | | <hr/> | <hr/> |
| Equity shareholders' funds | 17 | 17,815 | 13,769 |
| | | <hr/> | <hr/> |

These financial statements were approved by the board of directors on 12 February 2010 and were signed on its behalf by:


RW Presfidge
Director

Company number 1020602

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:

| | 2009 £000 | 2008 £000 |
|--------------------|--------------|--------------|
| United Kingdom | 4,766 | 5,224 |
| Rest of Europe | 21,356 | 19,883 |
| Asia and Australia | 19,038 | 15,112 |
| Americas | 11,133 | 9,178 |
| Africa | 309 | 421 |
| | <hr/> | <hr/> |
| | 56,602 | 49,818 |
| | <hr/> | <hr/> |

Notes (continued)

3 Operating profit

| | 2009 £000 | 2008 £000 |
|--------------------------------------|--------------|--------------|
| <i>Operating profit is stated</i> | | |
| <i>after charging</i> | | |
| Amortisation of goodwill | 909 | 947 |
| Impairment of goodwill | - | 1,258 |
| Depreciation | 951 | 880 |
| Research and development expenditure | 3,637 | 4,781 |
| Operating lease rentals | | |
| Plant and machinery | 196 | 234 |
| Exchange loss | 75 | 202 |
| | <hr/> | <hr/> |
| Auditor's remuneration | | |
| Audit of these financial statements | 38 | 36 |
| | <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

| | 2009 £000 | 2008 £000 |
|---|--------------|--------------|
| Interest receivable from group undertakings | 30 | 176 |
| Other interest receivable | 19 | 77 |
| | <hr/> | <hr/> |
| | 49 | 253 |
| Interest payable to group undertakings | - | (7) |
| | <hr/> | <hr/> |
| | 49 | 246 |
| | <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 | |
|--------------------------|---------------------|-------|
| | 2009 | 2008 |
| Production | 55 | 75 |
| Sales and administration | 145 | 128 |
| | <hr/> | <hr/> |
| | 200 | 203 |
| | <hr/> | <hr/> |

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

| | 2009 £000 | 2008 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 7,089 | 7,081 |
| Share based payments | 9 | 127 |
| Social security costs | 855 | 755 |
| Other pension costs | 468 | 456 |
| | <u>8,421</u> | <u>8,419</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 £Nil (2008 £16,000) 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 £9,000 (2008 £111,000) 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 | 2009 Number | 2008 Number |
|---------------|-----------------------|--------------------|-------------------|-------------------|
| 2005 | 5.89 | 2008-2009 | - | 5,954 |
| 2006 | 6.18 | 2009-2010 | 17,946 | 18,331 |
| 2007 | 8.37 | 2010-2011 | 11,628 | 12,023 |
| 2008 | 7.66 | 2011-2012 | 19,667 | 20,137 |
| 2009 | 7.23 | 2012-2013 | 18,896 | - |
| | | | <u> </u> | <u> </u> |

Notes (continued)

6 Share based payments (continued)

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

Executive Share Option Scheme

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

Performance Share Plan

| | Exercise price (£) | Exercise period | 2009 Number | 2008 Number |
|---------------|--------------------|-----------------|-------------|-------------|
| Year of grant | | | | |
| 2007 | 0.05 | 2010-2011 | 27,800 | 27,800 |
| 2008 | 0.05 | 2011-2012 | 34,300 | 34,300 |
| 2009 | 0.05 | 2012-2013 | 64,000 | - |

Movements in the year

Save As You Earn

| | Number | Weighted average exercise price £ | Value of shares £ |
|---------------------------------|---------------|-----------------------------------|-------------------|
| At 1 January 2009 | 56,445 | 7.14 | 403,136 |
| Granted | 18,896 | 7.23 | 136,618 |
| Exercised | (5,954) | 5.89 | (35,067) |
| Lapsed | (1,250) | 7.43 | (9,283) |
| At 31 December 2009 | 68,137 | 7.27 | 495,404 |
| Exercisable at 31 December 2009 | 17,946 | 6.18 | 110,906 |

Executive Share Option Scheme

| | Number | Weighted average exercise price £ | Value of shares £ |
|---------------------------------|---------------|-----------------------------------|-------------------|
| At 1 January 2009 | 37,587 | 4.86 | 182,691 |
| Exercised | (3,587) | 3.96 | (14,204) |
| At 31 December 2009 | 34,000 | 4.96 | 168,480 |
| Exercisable at 31 December 2009 | 34,000 | 4.96 | 168,480 |

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 2009 | 62,100 | 0.05 | 3,105 |
| Granted | 64,000 | 0.05 | 3,200 |
| | | | |
| At 31 December 2009 | 126,100 | 0.05 | 6,305 |
| | | | |
| Exercisable at 31 December 2009 | 126,100 | 0.05 | 6,305 |

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 2009 and 2008, the fair value per option granted and the assumptions used in the calculation are as follows:

| | 2009 Save As You Earn | 2008 Save As You Earn | 2009 Performance Share Plan | 2008 Performance Share Plan |
|---|-----------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| Weighted average share price (pence) | 685 | 549 | 435 | 654 - 789 |
| Weighted average exercise price (pence) | 723 | 766 | 5 | 5 |
| Expected volatility | 39.9% | 26.7% | 36.4% | 23.0% - 28.2% |
| Expected life | 3.25 years | 3.25 yrs | 3.0 years | 3.0 yrs |
| Risk-free rate | 2.05% | 3.8% | 1.8% | 1.09% - 5.21% |
| Expected dividends (expressed as a yield) | 3.42% | 3.9% | - | - |
| Fair value per option (pence) | 122.4p | 38.5p | - | - |
| Fair value per award – TSR condition | - | - | 56.2% - 59.6% | 65.0% - 74.0% |
| Fair value per award – Profit condition | - | - | 88.5% - 98.9% | 99.1% - 99.4% |
| Fair value per award – EPS condition | - | - | 88.5% - 98.9% | 99.1% - 99.4% |

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

| | 2009 £000 | 2008 £000 |
|------------|--------------|--------------|
| Emoluments | 960 | 644 |

Four directors participated in the defined benefit pension scheme (2008: four), one director (2008: one) participated in the defined contribution pension scheme and one (2008: one) director participated in a personal pension scheme.

Notes (continued)

7 Directors' emoluments (continued)

The emoluments, excluding pension contributions, of the highest paid director were £221,377 (2008 £145,000). Under the defined benefit pension scheme, his accrued pension at the year end was £32,445 (2008 £28,910) and the accrued lump sum was £149,540 (2008 £134,328).

8 Tax on profit on ordinary activities

| | 2009 £000 | 2008 £000 |
|---|--------------|--------------|
| <i>UK corporation tax</i> | | |
| Current tax on income in year | 4,117 | 2,602 |
| Adjustments in respect of prior years | (36) | 99 |
| Total current tax charge | 4,081 | 2,701 |
| <i>Deferred tax (see note 14)</i> | | |
| Deferred tax on income in year | 486 | (111) |
| Adjustments in respect of prior years | 3 | 9 |
| | 489 | (102) |
| Tax on profit on ordinary activities | 4,570 | 2,599 |

The current tax charge for the period is higher (2008 higher) than the standard rate of corporation tax in the UK of 28% (2008 28.5%). The difference is explained below:

| | 2009 £000 | 2008 £000 |
|--|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 13,521 | 7,539 |
| Current tax at 28% (2008 28.5%) | 3,786 | 2,149 |
| <i>Effects of</i> | | |
| Expenses not deductible for tax purposes | 266 | 342 |
| Capital allowances less than depreciation and other timing differences | 65 | 111 |
| Adjustments in respect of prior years | (36) | 99 |
| Total current tax charge | 4,081 | 2,701 |

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 |
|----------------------------|--------------------------|
| Cost | |
| At beginning of year | 10,268 |
| Additions | - |
| | <hr/> |
| At end of year | 10,268 |
| | <hr/> |
| Amortisation | |
| At beginning of year | 5,465 |
| Charged in year | 909 |
| | <hr/> |
| At end of year | 6,374 |
| | <hr/> |
| Net book value | |
| At 31 December 2009 | 3,894 |
| | <hr/> |
| At 31 December 2008 | 4,803 |
| | <hr/> |

10 Tangible assets

| | Freehold land and buildings £000 | Plant, equipment and motor vehicles £000 | Total £000 |
|----------------------------|---|---|-----------------------|
| Cost | | | |
| At beginning of year | 6,075 | 5,158 | 11,233 |
| Additions | - | 412 | 412 |
| Disposals | (14) | (105) | (119) |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 6,061 | 5,465 | 11,526 |
| | <hr/> | <hr/> | <hr/> |
| Depreciation | | | |
| At beginning of year | 1,137 | 3,372 | 4,509 |
| Charge for the year | 119 | 832 | 951 |
| Disposals | - | (70) | (70) |
| | <hr/> | <hr/> | <hr/> |
| At end of year | 1,256 | 4,134 | 5,390 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 December 2009 | 4,805 | 1,331 | 6,136 |
| | <hr/> | <hr/> | <hr/> |
| At 31 December 2008 | 4,938 | 1,786 | 6,724 |
| | <hr/> | <hr/> | <hr/> |

Included in the total net book value of freehold land and buildings is £1,286,000 (2008 £1,286,000) in respect of freehold land which is not depreciated

Notes (continued)

11 Stocks

| | 2009 £000 | 2008 £000 |
|------------------|--------------|--------------|
| Raw materials | 2,422 | 2,401 |
| Work in progress | 774 | 1,678 |
| Finished stocks | 1,041 | 1,530 |
| | <u>4,237</u> | <u>5,609</u> |

12 Debtors

| | 2009 £000 | 2008 £000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 6,510 | 6,602 |
| Amounts owed by group undertakings | 8,507 | 2,818 |
| Deferred tax asset (see note 14) | 175 | 661 |
| Other debtors | 892 | 769 |
| Prepayments and accrued income | 144 | 147 |
| | <u>16,228</u> | <u>10,997</u> |

13 Creditors: Amounts falling due within one year

| | 2009 £000 | 2008 £000 |
|--|---------------|---------------|
| Trade creditors | 3,771 | 4,495 |
| Amounts owed to group undertakings | 1,740 | 3,799 |
| Corporation tax | 6,702 | 2,621 |
| Other creditors including taxation and social security | 941 | 1,564 |
| Accruals and deferred income | 2,782 | 2,501 |
| | <u>15,936</u> | <u>14,980</u> |

14 Deferred tax

The deferred tax asset (2008 asset), provided under FRS 19 'Deferred tax' using a tax rate of 28% (2008 28%), is as follows

| | £000 |
|---|------------|
| At beginning of year | 661 |
| Debit to the profit and loss account for the year | (486) |
| At end of year (see note 12) | <u>175</u> |

Notes (continued)

14 Deferred tax (continued)

| | 2009 £000 | 2008 £000 |
|----------------------------------|--------------|--------------|
| Accelerated capital allowances | 176 | 657 |
| Short term timing differences | (1) | 4 |
| | <hr/> | <hr/> |
| Deferred tax asset (see note 12) | 175 | 661 |
| | <hr/> | <hr/> |

15 Share capital

| | 2009 £000 | 2008 £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 | 13 388 |
| Profit for the financial year | - | 8,995 |
| Share based payments (note 6) | - | (9) |
| Dividend | - | (4,940) |
| | <hr/> | <hr/> |
| At end of year | 109 | 17,434 |
| | <hr/> | <hr/> |

17 Reconciliation of movement in equity shareholders' funds

| | 2009 £000 | 2008 £000 |
|------------------------------------|--------------|--------------|
| Profit for the financial year | 8,995 | 4,940 |
| Share based payments (note 6) | (9) | 111 |
| Dividend | (4,940) | (10,000) |
| Opening equity shareholders' funds | 13,769 | 18,718 |
| | <hr/> | <hr/> |
| Closing equity shareholders' funds | 17,815 | 13,769 |
| | <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

| | 2009 £000 | 2008 £000 |
|------------|--------------|--------------|
| Contracted | 28 | 4 |

Operating leases

Annual commitments under non-cancellable operating leases are as follows

| | Land and buildings | | Plant and equipment | |
|-------------------------------------|--------------------|--------------|---------------------|--------------|
| | 2009 £000 | 2008 £000 | 2009 £000 | 2008 £000 |
| Expiring within one year | - | 32 | 25 | 39 |
| Expiring between two and five years | - | - | 237 | 244 |
| | - | 32 | 262 | 283 |

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 2009 was £14.3 million (2008 £0.7 million).

The latest full actuarial valuation was carried out at 31 December 2006 and was updated for FRS 17 purposes to 31 December 2009 by an independent qualified actuary.

The Spectris Pension Plan is closed to new members. Contributions payable by the company amounted to £252,000 for the year ended 31 December 2009 (2008 £281,000).

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 £216,000 for the year ended 31 December 2009 (2008 £175,000).

Contributions amounting to £Nil (2008 £Nil) were payable to the defined benefits pension scheme at the year end, and £Nil (2008 £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 2009.

Royal Bank of Scotland £3,300,000 (2008 £4,100,000)

Notes *(continued)*

21 Financial instruments

The Company has derivative financial instruments with various banks that involve the Company selling US dollars and Euros to the bank at fixed rates of exchange with expiry dates ranging from January 2010 to December 2010

The derivative contracts have not been recognised at fair value (as defined by paragraph 37 of Schedule 1 of the Accounting Regulations of the Companies Act 2006). A liability of £10,000, measured by reference to the fair value of forward contracts outstanding as at 31 December 2009, has not been recognised because the Company have opted not to adopt FRS 26

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