Malvern Instruments Limited

Annual report and financial statements

Registered number 1020602

For the year ended 31 December 2014

Contents

Strategic report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

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 and future developments

2014

Sales increased in Europe and Asia helping to lift the total to £90,343,000 (2013: £83,720,000). The inclusion of sales from direct acquisitions of Nanosight Ltd and technology from Affinity Bio Inc plus those from the US acquisition of "Microcal" from GE Healthcare Inc were the main product drivers of growth. Organic sales declined as a result of lower "cyclical" demand in our Process business following a strong performance in the previous year and some softening in the academic market for our laboratory equipment. The Americas saw the economies in the Southern hemisphere struggle and an erratic performance in the North only providing offset after the negative impact of currency. Gross profit following sales increased to £52,170,000 (2013: £50,327,000) but with the inclusion of more US manufactured product and more sales into China, the Gross Profit percentage has decreased to 58% (2013: 60%). The company increased its growth of investment in product development taking advantage of £3m Regional Growth funding to accelerate future new product introductions. The Operating profit has decreased slightly at £16,523,000 (2013: £17,363,000) despite the higher sales as a result of the lower average margins and increase in development spend, along with the cost of amortisation of newly acquired intangible assets. The profile of sales growth through the year was more back end loaded than expected and therefore net current assets, £54,644,000 (2013: £47,451,000) have increased with higher receivables.

Strategy

The Company will continue with its strategy to broaden and expand its market footprint through product development and technology acquisition in support of its customer's evolving needs. The recent acquisitions and new product launches are in line with this and will enhance its ability to build market share in both its traditional industrial markets as well as the life science market.

Corporate Social Responsibility

The Company recognises the importance of balancing the interests of its stakeholders and the wider community. It is committed to continually improving processes to ensure that it complies with ethical and environmental standards and legislation.

Outlook for 2015

2015 anticipates a general (albeit slow) improvement in the Western economies but some slowing of China and its dependant markets in Asia, but contribution from the acquisitions and new products is expected to enhance growth. The Company has further developed its plans for an expansion of its premises in the UK and expects building to start early in 2016.

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 still centred around the developments within the emerging markets of Asia and Latin America as well as and combined with our ability to recognise and harness new technologies for existing and new applications.

Trading risks

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

Strategic report *(continued)*

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.

Approved by order of the board of directors on 24 June 2015 and signed on its behalf by:

RW Prestidge
Director

Enigma Business Park
Grovewood Road
Malvern
Worcestershire
WR14 1XZ

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2014.

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.

The directors who served during the year were as follows:

Dr DJ Bishop	
R Innocent	
J Martin	
JS McCaskie	(resigned 20 June 2014)
EP O'Lionaird	(appointed 24 March 2014)
RW Prestidge	
DM Roberts	
G Simcock	(appointed 1 October 2014)
PI Walker	
JC Webster	(resigned 24 March 2014)

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 2014, the number of creditor days outstanding was 46 days *(2013: 44 days)*.

Dividends

No dividends were paid during the year (*2013: Nil*). There are no proposed dividends (*2013: None proposed*).

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 LLP will therefore continue in office.

Approved by order of the board of directors on 24 June 2015 and signed on its behalf by:

RW Prestidge
Director

Enigma Business Park
Grovewood Road
Malvern
Worcestershire
WR14 1XZ

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and financial statements

The directors are responsible for preparing the Strategic report, Directors' report and 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 LLP
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 2014 set out on pages 8 to 22. 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 5, 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, and express an opinion on, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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 Strategic report and 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.

Xavier Timmermans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

24 June 2015

Profit and loss account
for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover			
Continuing operations	2	85,308	83,720
Acquisitions	2	5,035	-
		90,343	83,720
Cost of sales		(38,173)	(33,393)
Gross profit		52,170	50,327
Distribution costs		(1,082)	(1,024)
Administrative expenses		(34,565)	(32,056)
Operating profit	3	16,523	17,247
Net interest receivable	4	127	116
Profit on ordinary activities before taxation		16,650	17,363
Tax on profit on ordinary activities	8	(2,289)	(3,378)
Profit for the financial year	17	14,361	13,985

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.

The notes on pages 10 to 22 form an integral part of these financial statements.

Balance sheet
at 31 December 2014

	Note	2014 £000	2013 £000
Fixed assets			
Intangible fixed assets	*9*	21,272	96
Tangible assets	*10*	7,850	6,962
Investments	*11*	2,624	16,377
		31,746	23,435
Current assets			
Stocks	*12*	10,378	8,584
Debtors	*13*	61,640	55,765
Cash at bank and in hand		820	1,929
		72,838	66,278
Creditors: Amounts falling due within one year	*14*	(18,886)	(18,827)
Net current assets		53,952	47,451
Total assets less current liabilities, being net assets		85,698	70,886
Capital and reserves			
Called up share capital	*16*	272	272
Capital redemption reserve	*17*	109	109
Profit and loss account	*17*	85,317	70,505
Equity shareholders' funds	*18*	85,698	70,886

The notes on pages 10 to 22 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 24 June 2015 and were signed on its behalf by:

RW Prestidge
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 23.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Revenue

Revenues comprise sales to customers after discounts and excluding Value Added Tax and similar sales taxes. Revenue from the sale of goods is recognised in the profit and loss account when the significant risk and rewards of ownership of the goods have been transferred to the customer, which is typically on delivery. For contracts that involve a significant element of installation or testing of equipment, revenue is recognised at the point of customer acceptance. Revenue from services rendered is recognised in the profit and loss account in proportion to the measurement of the stage of completion of services rendered as at the balance sheet date. This is assessed by reference to the amount of time incurred in proportion to the total expected time to be taken to deliver the service.

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.

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost. Intellectual property purchased by the company is amortised over five years, being the directors' estimate of their useful economic life. Other intangible assets are amortised over the directors' estimate of their useful economic lives, usually between 5 and 10 years.

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 - 33% per annum

No depreciation is provided on freehold land.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less any amounts written off.

Notes *(continued)*

1 Accounting policies *(continued)*

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'.

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.

Notes *(continued)*

2 Turnover

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

	2014 £000	2013 £000
United Kingdom	**8,342**	5,808
Rest of Europe	**27,101**	24,810
Asia and Australia	**37,161**	35,015
Americas	**16,591**	16,617
Africa	**1,148**	1,470
	90,343	83,720

3 Operating profit

	2014 £000	2013 £000
Operating profit is stated after charging		
Amortisation of goodwill and intangible assets	**2,130**	931
Depreciation	**1,449**	1,249
Research and development expenditure	**8,299**	5,991
Operating lease rentals	**272**	235
Exchange loss	**209**	111
Auditor's remuneration:		
Audit of these financial statements	**36**	40

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

	2014 £000	2013 £000
Interest receivable from group undertakings	**127**	116

Notes *(continued)*

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 2014	2013
Production	104	89
Sales and administration	277	217
	381	306

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	12,328	10,794
Share based payments	451	150
Social security costs	1,477	1,325
Other pension costs	1,387	1,085
	15,643	13,354

6 Share based payments

The Save As You Earn share option scheme was 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 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 *(2013: £Nil)* in relation to the above schemes which has been recharged from Spectris plc.

Under the Performance Share Plan (unapproved share options as defined by HMRC), the exercise price is the nominal cost of the ultimate parent company's shares. Awards made in 2008 and 2009 have performance criteria subject to earnings per share in respect of 50% of the award and operating company targets in respect of 50% of the award. For awards subsequent to 2009, the performance criteria is earnings per share in respect of 33.33% of the award and operating company profit targets in respect of 66.67% of the award. Operating company manager awards up to 2013 were entirely subject to operating company profit targets. Awards vest after a period of three years and must be exercised during the seven-year period following vesting.

Since 2011, Performance Share Plan options have also been granted to UK employees that are approved share options as defined by HMRC. The performance criteria and vesting conditions are consistent with the unapproved options granted described above.

The approved share options are linked to the unapproved share options in order to benefit from the tax-exempt status of approved share option grants to a value not exceeding £30,000. Should there be a gain on exercise under the approved options, such gain will cause a proportionate reduction in the number and value of the unapproved options. Should there be no gain on exercise under the approved options, these options are then forfeited and the linked unapproved options may be exercised in full, to the extent their performance criteria is met.

Notes *(continued)*

6 Share based payments *(continued)*

From 2014, operating company manager awards were made under the Restricted Shares Plan. Awards vest three years from grant and are cash-settled on vesting. The Restricted Shares Plan is subject to the same rules as the Performance Share Plan but gives flexibility as to whether or not awards are subject to performance criteria.

The company has recognised a charge of £451,000 *(2013: £150,000)* in administrative expenses in relation to the above schemes.

Share Options outstanding at the end of the year

Save As You Earn

Year of grant	Exercise price (£)	Exercise year	2014 Number	2013 Number
2010	10.19	2014	-	1,144
2011	13.80	2015	4,242	13,504
2012	16.95	2016	12,317	13,715
2013	22.45	2017	7,800	9,304
2014	20.15	2018	19,425	-

Performance Share Plan

Unapproved

Year of grant	Exercise price (£)	Exercise period	2014 Number	2013 Number
2007	0.05	2010-2017	1,205	1,205
2008	0.05	2011-2018	3,773	3,773
2009	0.05	2013-2019	7,600	7,600
2010	0.05	2014-2020	4,500	8,813
2011	0.05	2014-2021	10,798	30,270
2012	0.05	2015-2022	25,659	27,890
2013	0.05	2016-2023	20,420	22,000
2014	0.05	2017-2024	13,430	-

Approved

Year of grant	Exercise price (£)	Exercise period	2014 Number	2013 Number
2011	1.13	2014-2021	822	1,170
2012	1.73	2015-2022	16,834	18,567
2013	2.41	2016-2023	6,030	6,030

Restricted Shares Plan

Year of grant	Exercise price (£)	Exercise period	2014 Number	2013 Number
2014	0.05	2014-2017	8,000	-

Notes *(continued)*

6 Share based payments *(continued)*

Movements in the year

Save As You Earn

	Number	Weighted average exercise price £	Value of shares £
At beginning of year	37,667	16.99	636,302
Granted	19,425	20.15	391,414
Exercised	(9,749)	13.44	(131,043)
Lapsed	(3,559)	18.52	(65,892)
At end of year	**43,784**	**19.04**	**830,781**
Exercisable at 31 December 2014	4,242	13.80	58,540

Performance Share Plan

Unapproved

	Number	Weighted average exercise price £	Value of shares £
At beginning of year	101,551	0.05	5,078
Granted	15,030	0.05	752
Exercised	(13,721)	0.05	(686)
Lapsed	(15,484)	0.05	(774)
At end of year	**87,376**	**0.05**	**4,369**
Exercisable at 31 December 2014	27,876	0.05	1,394

Approved

	Number	Weighted average exercise price £	Value of shares £
At beginning of year	25,767	18.63	479,939
Lapsed	(2,081)	16.31	33,931
At end of year	**23,686**	**18.83**	**446,008**
Exercisable at 31 December 2014	822	18.63	15,310

Notes *(continued)*

6 Share based payments *(continued)*

Restricted Share Plan

	Number	Weighted average exercise price £	Value of shares £
At beginning of year	-	-	-
Granted	8,800	0.05	440
Lapsed	(800)	0.05	(40)
At end of year	**8,000**	**0.05**	**400**
Exercisable at 31 December 2014	-	-	-

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 2014 and 2013, the fair value per option granted and the assumptions used in the calculation are as follows:

	2014	2013	**2014**	2013	**2014**	2013	**2014**
	Save As You Earn		Performance Share Plan (Unapproved)		Performance Share Plan (Approved)		Restricted Share Plan
Weighted average share price (£)	**19.92**	22.21	**23.16**	23.65	**22.70**	23.54	**23.68**
Weighted average exercise price (£)	**20.15**	22.45	**0.05**	0.05	**23.03**	23.78	**0.05**
Expected volatility	**31.8%**	32.2%	**-**	-	**32.7%**	33.0%	**-**
Expected life	**3.45 years**	3.45 years	**3 years**	3 years	**3 years**	3 years	**3 years**
Risk-free rate	**1.40%**	0.9%	**1.08%**	0.4%	**1.04%**	0.4%	**-**
Expected dividends (expressed as a yield)	**2.2%**	1.8%	**0%**	0%	**1.9%**	1.6%	**0%**
Fair value per option	**3.61**	4.25	**-**	-	**-**	-	**-**

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.

The weighted average share price at the date of exercise for unapproved share options exercised under the Performance Share Plan in 2014 was £22.18 *(2013: £21.82)*. The weighted average fair value of cash-settled options outstanding at 31 December 2014 is £20.35 for the EPS condition *(2013: £25.07)*.

Notes *(continued)*

7 Directors' emoluments

	2014 £000	2013 £000
Directors' emoluments	968	981
Amounts receivable under long term incentive schemes	267	417
Company contributions to money purchase pension schemes	130	128

No directors participated in the defined benefit pension scheme *(2013: none)*; seven directors *(2013: seven)* participated in the defined contribution pension scheme and one *(2013: one)* director participated in a personal pension scheme.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £328,600 *(2013: £391,331)*, and Company pension contributions of £36,400 *(2013: £35,620)* were made to a money purchase scheme on his behalf. During the year, the highest paid director exercised share options and received shares under a long term incentive scheme.

8 Tax on profit on ordinary activities

	2014 £000	2013 £000
UK corporation tax		
Current tax on income in year	2,501	3,459
Adjustments in respect of prior years	(266)	(106)
Total current tax charge	2,235	3,353
Deferred tax (see note 15)		
Deferred tax on income in year	(10)	(98)
Adjustments in respect of prior years	64	4
Charge resulting from reduction in tax rate	-	119
	54	25
Tax on profit on ordinary activities	2,289	3,378

Notes *(continued)*

8 Tax on profit on ordinary activities *(continued)*

The current tax charge for the period is lower *(2013: lower)* than the standard rate of corporation tax in the UK of 21.5% *(2013: 23.25%)*. The difference is explained below:

	2014 £000	2013 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**16,650**	17,363
Current tax 21.5% *(2013: 23.25%)*	**3,580**	4,037
Effects of:		
Expenses not deductible for tax purposes	**(676)**	(673)
Capital allowances less than depreciation and other timing differences	**(403)**	95
Adjustments in respect of prior years	**(266)**	(106)
Total current tax charge	**2,235**	3,353

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

9 Intangible assets

	Goodwill £000	Intellectual property £000	Other intangible assets £000	Total £000
Cost				
At beginning of year	10,268	501	-	10,769
Additions	4,359	-	18,947	23,306
At end of year	14,627	501	18,947	34,075
Amortisation				
At beginning of year	10,172	501	-	10,673
Charged in year	278	-	1,852	2,130
At end of year	10,450	501	1,852	12,803
Net book value				
At 31 December 2014	**4,177**	**-**	**17,095**	**21,272**
At 31 December 2013	96	-	-	96

Notes *(continued)*

9 Intangible assets *(continued)*

During the year, the trade and certain assets and liabilities of Affinity Biosensors LLC were acquired. The assets acquired included technology and contract related intangible assets of £5,189,000, and residual goodwill of £4,359,000. The intangible assets and goodwill are being amortised over a period of 10 years, being the directors' estimate of the useful economic life.

The trade and certain assets of NanoSight Limited, a subsidiary of the company, were transferred to the company at their book value during the year, which was less than their fair value. The cost of the company's investments in NanoSight Limited reflected the underlying fair value of its net assets, goodwill and intangible assets at the time of acquisition. As a result of this transfer, the value of the company's investment in NanoSight Limited fell below the amount at which it was stated in the company's accounting records. The Companies Act 2006 requires that the investments be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account for the year and it should instead be re-allocated to the related intangible assets acquired so as to recognise in the company balance sheet the effective cost to the company of the intangible assets acquired. The effect of this departure is to increase the company's profit for the financial year by £13,758,000, and to increase the company's intangible assets by £13,758,000.

The intangible assets are being amortised over a period between 5 and 7 years, being the directors' estimate of the useful economic lives.

10 Tangible assets

	Freehold land and buildings £000	Plant, equipment and motor vehicles £000	Total £000
Cost			
At beginning of year	6,061	9,704	15,765
Additions	485	1,857	2,342
Disposals	-	(110)	(110)
At end of year	6,546	11,451	17,997
Depreciation			
At beginning of year	1,734	7,069	8,803
Charge for the year	126	1,323	1,449
Disposals	-	(105)	(105)
At end of year	1,860	8,287	10,147
Net book value			
At 31 December 2014	**4,686**	**3,164**	**7,850**
At 31 December 2013	4,327	2,635	6,962

Included in the total net book value of freehold land and buildings is £1,504,000 *(2013: £1,286,000)* in respect of freehold land which is not depreciated.

Notes *(continued)*

11 Investments

	£000
Cost	
At beginning of year	16,377
Transfer	(13,758)
Additions	5
At end of year	2,623

The trade and certain assets of NanoSight Limited, a subsidiary of the company, were transferred to the company at their book value during the year, which was less than their fair value. The cost of the company's investments in NanoSight Limited reflected the underlying fair value of its net assets, goodwill and intangible assets at the time of acquisition. As a result of this transfer, the value of the company's investment in NanoSight Limited fell below the amount at which it was stated in the company's accounting records. The Companies Act 2006 requires that the investments be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors consider that, as there has been no overall loss to the company, it would fail to give a true and fair view to charge that diminution to the company's profit and loss account for the year and it should instead be re-allocated to the related intangible assets acquired so as to recognise in the company balance sheet the effective cost to the company of the intangible assets acquired. The effect of this departure is to increase the company's profit for the financial year by £13,758,000, and to increase the company's intangible assets by £13,758,000.

The Company holds these interests in the following companies:

Name of company	**Country of incorporation**	**Proportion held %**
Malvern-Aimil Instruments Private Ltd	India	90
NanoSight Ltd	UK	100

Malvern-Aimil Instruments Private Ltd is a market consultancy for Malvern Products and Services in India.

NanoSight Ltd is a manufacturer of NanoParticle Tracking Analysis Instruments.

12 Stocks

	2014 £000	2013 £000
Raw materials	**6,885**	5,184
Work in progress	**1,115**	965
Finished stocks	**2,378**	2,435
	10,378	8,584

Notes *(continued)*

13 Debtors

	2014 £000	2013 £000
Trade debtors	9,239	8,682
Amounts owed by group undertakings	49,333	44,304
Deferred tax asset (see note 15)	542	596
Other debtors	937	1,370
Prepayments and accrued income	1,589	813
	61,640	55,765

14 Creditors: Amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	5,939	6,408
Amounts owed to group undertakings	5,082	4,825
Corporation tax	2,501	3,407
Other creditors including taxation and social security	194	274
Accruals and deferred income	5,170	3,913
	18,194	18,827

15 Deferred tax

The deferred tax asset, recognised under FRS 19 'Deferred tax' using a tax rate of 20% *(2013: 20%)*, is as follows:

	£000
At beginning of year	596
Charge to the profit and loss account for the year	(54)
At end of year (see note 13)	**542**

	2014 £000	2013 £000
Accelerated capital allowances	394	596
Short term timing differences	148	-
Deferred tax asset (see note 13)	542	596

Notes *(continued)*

16 Share capital

	2014 £000	2013 £000
Allotted, called up and fully paid:		
272,290 ordinary shares of £1 each	272	272

17 Reserves

	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	109	70,505
Profit for the financial year	-	14,361
Share based payments (note 6)	-	451
At end of year	**109**	**85,317**

18 Reconciliation of movement in equity shareholders' funds

	2014 £000	2013 £000
Profit for the financial year	14,361	13,985
Share based payments (note 6)	451	150
Opening equity shareholders' funds	70,886	56,751
Closing equity shareholders' funds	85,698	70,886

19 Commitments

Capital expenditure

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

	2014 £000	2013 £000
Contracted	356	251

Operating leases

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

	Plant and equipment 2014 £000	Plant and equipment 2013 £000
Expiring:		
Within one year	27	31
Between two and five years	136	139
	163	170

Notes *(continued)*

20 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 surplus of the Plan at 31 December 2014 was £3.6 million *(2013: surplus of £7.2 million).*

The latest full actuarial valuation was carried out at 31 December 2011 and was updated to 31 December 2014 by an independent qualified actuary.

The Spectris Pension Plan is closed to new members. Contributions payable by the company amounted to £Nil for the year ended 31 December 2014 *(2013: £Nil).*

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 £1,387,400 for the year ended 31 December 2014 *(2013: £1,083,030).*

Contributions amounting to £Nil *(2013: £Nil)* were payable to the defined benefits pension scheme at the year end, and £Nil *(2013: £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.

21 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 2014:

Royal Bank of Scotland £0.2 million *(2013: £2.5 million).*

22 Financial instruments

The Company has derivative financial instruments with various banks that involve the Company selling US dollars, Euros and Japanese Yen to the bank at fixed rates of exchange with expiry dates ranging from January 2014 to December 2014.

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 £121,000 (*2013: asset of £912,000*), measured by reference to the fair value of forward contracts outstanding as at 31 December 2014, has not been recognised because the Company have opted not to adopt FRS 26.

23 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, Heritage House, Church Road, Egham, Surrey, TW20 9QD.