Bruel & Kjaer VTS Limited

Directors' report and financial statements

Registered number 01539186

31 December 2011

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Officers and professional advisors

Directors

A Rasmussen

L Ronn

J Webster

L Grasty

Secretary

J Brown

Registered office

Jarman Way

Royston, Hertfordshire

SG8 5BQ

Bankers

Barclays Bank Plc

23 High Street

Royston, Bedfordshire

SG8 9AB

National Westminster Bank Plc

15 Bishopsgate, PO Box 34

London, EC2P 2AP

Auditors

KPMG Audit Plc,

37 Hills Road

Cambridge, CB2 1XL

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2011

Principal activities

The principal activity of the company is the manufacture and sale of vibration test equipment
The subsidiary undertakings held by the company are listed in note 11 to the financial statements

Business review

Turnover has decreased by 2 4% compared to 2010 Profit has reduced significantly over 2010 by £1,556,000, which is primarily due to investment in a new product platform (see below), as well as investment in people for a sustainable future (see note 7)

Research and development

The company has made some significant investment in research and development in 2011 £929,000 (*2010 £419,000*) The main driver of these costs is the development of a new platform to ensure future competitiveness and sustainability The directors regard investment in this area as a prerequisite for success in the medium to long term future

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk The company does not enter into the use of financial derivatives

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates The company does not hedge transactions in foreign currencies but maintains bank accounts in foreign currencies in order to match cash inflow in those currencies

Credit risk

The company's principal financial assets are bank balances and cash and trade and other receivables

The company's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables The credit risk is managed by reviewing credit worthiness of potential and existing customers using reputable credit agencies, maintaining credit insurance and the use of Letters of Credit

The company has no significant concentration of credit risk with exposure spread over a large number of counterparties and customers Loss of key customers is also a key risk to the business The company manages the risk by developing and maintaining strong relationships with these customers

Liquidity risk

The company does not have any external debt finance outside the Spectris group of companies

Foreign exchange risk

Foreign exchange risk on cash is managed by conversion of all foreign currency balances to Sterling at the end of each month, for transfer into the cash pool

Price risk

The company is exposed to commodity price risk The company actively negotiates with suppliers to reduce the impact of this risk

Directors' report *(continued)*

Results and dividends

The loss for the year after taxation was £279,000 (*2010 Profit £1,135,000*) The directors do not recommend the payment of a dividend *(2010 £nil)*

Directors / Company Secretary

The directors / Company secretary who held office during the year were as follows

A Rasmussen

L Ronn

J Webster

L Grasty

J Brown (Company Secretary)

Disclosure of information to auditors

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 auditors are unaware Each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

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

By order of the board

30/7/12

L Grasty
Director

Jarman Way
Royston
Hertfordshire
SG8 5BQ

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

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 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 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 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

37 Hills Road
Cambridge
CB2 1XL
United Kingdom

Independent auditors' report to the members of Bruel & Kjaer VTS Limited

We have audited the financial statements of Bruel & Kjaer VTS Limited for the year ended 31 December 2011 set out on pages 7 to 19 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 auditors

As explained more fully in the Directors' Responsibilities 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 Boards (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/private cfm

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 2011 and of its loss 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

Independent auditors' report to the members of Bruel & Kjaer VTS Limited
(continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

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 of the information and explanations we require for our audit

Mark Prince (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

1 August 2012

Profit and Loss Account
for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Turnover	*2*	**18,459**	18 905
Cost of sales		**(15,615)**	(15 025)
Gross profit		**2,844**	3 880
Other operating expenses	*3*	**(3,370)**	(2,645)
Operating (loss)/profit		**(526)**	1 235
Finance income	*4*	**100**	69
Interest payable	*5*	**(9)**	(6)
Exceptional items	*15*	**-**	(177)
(Loss)/profit on ordinary activities before taxation	*6*	**(435)**	1 121
Tax on (loss)/profit on ordinary activities	*9*	**156**	14
(Loss)/profit for the financial year	*19 20*	**(279)**	1,135

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

Balance Sheet
at 31 December 2011

	Note	2011 £000	£000	2010 £000	£000
Fixed assets					
Tangible assets	10		1,968		2 024
Investments	11		-		-
			1,968		2,024
Current assets					
Stocks	12	3,603		3,445	
Debtors due within one year	13	23,662		23,863	
Cash at bank and in hand		23		21	
		27,288		27,329	
Creditors amounts falling due within one year	16	(3,683)		(3,727)	
Net current assets			23,605		23,602
Total assets less current liabilities			25,573		25 626
Provision for liabilities	17		(1,183)		(957)
Net assets			24,390		24 669
Capital and reserves					
Called up share capital	18		351		351
Other reserves	19		5,272		5 272
Profit and loss account	19		18,767		19 046
Shareholders' funds	20		24,390		24,669

These financial statements were approved by the board of directors on 30th July 2012 and were signed on its behalf by

30/7/12

L Grasty
Director

Company registration no 01539186

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 financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain fixed asset investments

Consolidated financial statements have not been prepared by the company as permitted by Section 400 of the Companies Act 2006 Consolidated results for the company and its subsidiary undertaking are included in the group financial statements of the ultimate holding company Spectris Plc, which are available to the public

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' report on pages 2 to 3

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future Having regard to this and after consideration of its banking arrangements, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern and thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life as follows

Plant and machinery	-	3 to 10 years
Computer hardware and software	-	3 to 5 years

Investments

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

Stocks

Stocks are stated at the lower of cost and net realisable value Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal Provision is made for obsolete slow-moving or defective items where appropriate

Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Notes *(continued)*

1 Accounting policies

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business net of trade discounts, VAT and other sales related taxes Revenue on product sales is recognised when risk passes to the customer according to the terms of the contract between the company and the customer Revenue on services is recognised as the services are delivered

Research and development expenditure

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

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings

A net deferred tax asset is regarded as recoverable and therefore recognised only when on the basis of all evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Pension costs

The pensions costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS17 The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if payments are not made on such a basis Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter that the full lease term, in which case the shorter period is used

Notes *(continued)*

2 Analysis of turnover

	2011	2010
	£000	£000
United Kingdom	**2,296**	1,846
Rest of Europe	**15,980**	16 402
Rest of the World	**183**	657
	18,459	18 905

All turnover of the Company was derived from the Company's principal activity in both the current and preceding financial year The turnover represents both third party and intercompany

3 Other operating expenses

	2011	2010
	£000	£000
Selling costs	**417**	457
Research and development expenses	**929**	419
Administrative expenses	**2,510**	1,769
	3,856	2,645

4 Finance income

	2011	2010
	£000	£000
Interest receivable and similar income	**100**	69

5 Interest payable

	2011	2010
	£000	£000
Interest payable	**9**	6

Notes *(continued)*

6 (Loss)/profit on ordinary activities before taxation

	2011 £000	2010 £000
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation and other amounts written off tangible fixed assets	**259**	571
Research and development	**929**	419
Operating lease rentals		
- plant and machinery	**53**	66
- land and buildings	**476**	476
Exchange loss/(gain)	**12**	(14)
Auditors remuneration – current auditors		
- audit of these financial statements	**48**	44

7 Staff costs

The average monthly number of employees (including executive directors) was as follows

	Number of employees 2011	2010
Production	**98**	91
Sales	**3**	4
Administration	**11**	11
	112	106

The aggregate remuneration comprised

	2011 £000	2010 £000
Wages and salaries	**3,619**	3,341
Social security costs	**420**	336
Other pension costs	**168**	163
	4,207	3,840

8 Directors' remuneration

The remuneration of the directors was as follows

	2011 £000	2010 £000
Emoluments	**102**	102
Company contributions to money purchase pension schemes	**9**	9
	111	111

Notes *(continued)*

8 Directors' remuneration *(continued)*

The remuneration of the highest paid director was as follows	**2011**	2010
	£000	£000
Emoluments	**102**	102
Company contributions to money purchase pension schemes	**9**	9
	111	111

The number of directors who were members of pension schemes was as follows

	2011	2010
	£000	£000
Company contributions to money purchase pension schemes	**1**	1

9 Taxation

Analysis of charge in period

	2011	2010
	£000	£000
Current tax		
Current UK corporation tax	**(181)**	192
Adjustments in respect of prior years	**-**	(327)
Total current tax	**(181)**	(135)
Deferred tax (see note 14)		
Origination/reversal of timing differences	**9**	95
Adjustments in respect of prior periods	**2**	18
Charge resulting from reduction in tax rate	**14**	8
	25	121
Tax on (loss)/profit on ordinary activities	**(156)**	(14)

Notes *(continued)*

9 Taxation *(continued)*

The current tax charge for the period is lower *(2010 lower)* than the standard rate of corporation tax in the UK of 26 5% *(2010 28%)* The difference is explained below,

	2011	2010
	£000	£000
(Loss)/profit on ordinary activities before tax	**(435)**	1,121
	£000	£000
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 26 5% *(2010 28%)*	**(115)**	314
Effects of		
Expenses not deductible for tax purposes	**(57)**	(27)
Capital allowances in deficit of depreciation	**(20)**	62
Short-term timing differences	**11**	(157)
Adjustment to tax charge in respect of previous periods	**-**	(327)
Current tax	**(181)**	(135)

The Chancellor announced a reduction to the main rate of UK corporation tax to 25% from 1 April 2012 This change became substantively enacted on 19th July 2011

On 21 March 2012, the Chancellor announced a further reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012 This change was substantively enacted on 26 March 2012 and therefore the effect of the change in rate has not been reflected in the above figures as it was not substantively enacted at the balance sheet date The effect of this rate change would be to reduce the deferred tax asset by approximately £25,000

The Chancellor also proposed changes to further reduce the main rate of UK corporation tax by 1% per annum to 22% by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above The overall effect of the further reductions from 25% to 22%, if these applied to the deferred tax balances at 31 December 2011, would be to further reduce the deferred tax asset by approximately £19,500

Notes *(continued)*

10 Tangible fixed assets

	Plant and machinery	Computer hardware	Computer software	Leasehold buildings	**Total**
	£000	£000	£000	£000	**£000**
Cost					
At beginning of year	1,861	188	800	1 662	**4,511**
Additions	118	24	61	-	**203**
Disposal	-	-	(5)	-	**(5)**
At end of year	1,979	212	856	1,662	**4,709**
Depreciation					
At beginning of year	1,304	129	789	265	**2,487**
Charge for year	109	23	15	112	**259**
Disposal	-	-	(5)	-	**(5)**
At end of year	1,413	152	799	377	**2,741**
Net book value					
At 31 December 2011	**566**	**60**	**57**	**1,285**	**1,968**
At 31 December 2010	557	59	11	1,397	2,024

11 Fixed asset investments

Subsidiary undertakings

	Total £000
Cost or valuation and net book value	
At 31 December 2010 and at 31 December 2011	-

The company has the following subsidiary undertakings

	Country of incorporation	**Holding**	**Percentage**
LDS Test and Measurement Sarl	France	Ordinary shares	100%

Notes *(continued)*

12 Stocks

	2011	2010
	£000	£000
Raw materials and consumables	**2,026**	1,762
Work in progress	**1,487**	1,319
Finished goods and goods for resale	**90**	364
	3,603	3 445

There is no material difference between the balance sheet value of stocks and their replacement cost

13 Debtors amounts falling due within one year

	2011	2010
	£000	£000
Trade debtors	**2**	298
Amounts owed by group undertakings	**22,869**	22,666
Deferred tax asset *(see note 14)*	**176**	201
Corporation tax	**181**	-
Other debtors	**205**	470
Prepayments and accrued income	**229**	228
	23,662	23 863

Included within amounts owed by group undertakings is £6,943,000 *(2010 £8,553,000)* that has been paid into the Spectris group cash pool

14 Deferred tax asset

	2011	**2010**
	£000	**£000**
At 1 January 2011	**201**	322
Charge to the profit and loss for the year	**(25)**	(121)
At 31 December 2011	**176**	**201**

The deferred tax asset is analysed as follows	**2011**	**2010**
	£000	**£000**
Capital allowances less than depreciation	**(20)**	1
Short term timing differences	**196**	200
	176	201

Deferred taxation is calculated using the rate of 25% *(2010 27%)* which became effective from 1 April 2011 as this is the rate which is expected to apply if the asset were to crystallise

Notes *(continued)*

15 Exceptional items

	2011 £000	2010 £000
Impairment of the SAP fixed asset	-	(177)
Total exceptional items	-	(177)

16 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Payments received in advance	**55**	250
Trade creditors	**2,589**	2,329
Amounts owed to group undertakings	-	73
Other taxation and social security	**114**	102
Accruals and deferred income	**925**	973
	3,683	3 727

17 Provisions for liabilities

	Warranty provision £000
At beginning of year	957
Provision utilised during the year	(40)
Charged to the profit and loss for the year	266
At end of year	**1,183**

The warranty provision is established to recognise known and expected claims against delivered products within the contractual warranty period for such sales The expenditure is expected to be incurred within 12 months of the balance sheet date There are two specific provisions, one is for a known customer issue of £635,000, which represents the full potential exposure to the company and the second is for potential rectification of a specific product previously sold to customers

Notes *(continued)*

18 Called up share capital

	2011 £000	2010 £000
Authorised		
10,076 440 Ordinary shares of £0 05 each	**504**	504
159 274 Deferred shares of £1 each	**159**	159
	663	663
Allotted, called up and fully paid		
4 992 060 Ordinary shares of £0 05 each	**250**	250
101 201 Deferred shares of £1 each	**101**	101
	351	351

The deferred shares we issued at par on 1 March 1984 by converting existing £1 ordinary shares and re-designating then as deferred shares

The deferred shares carry no voting rights or dividends but on winding up the holders shall be entitled out of the surplus of assets of the company to a return of capital paid up by them after a total of £40,000,000 has been distributed in such a winding up in respect of ordinary shares

19 Reserves

	Other reserves £000	Profit and loss account £000
At beginning of year	5 272	19,046
Loss for the year	-	(279)
At end of year	**5,272**	**18,767**

20 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
(Loss)/profit for the financial year	**(279)**	1,135
Opening shareholders' funds	**24,669**	23 534
Closing shareholders funds	**24,390**	24,669

Notes *(continued)*

21 Pension arrangements

The Company operates a defined contribution pension scheme for its employees The assets of the scheme are held separately from those of the Company in independently administered funds The pension cost for defined contribution scheme, which represents the contribution payable by the Company amounted to £168,000 during the year *(2010 £163,000)* There were no outstanding or prepaid contributions at either the beginning or end of the financial year

22 Related party disclosures

As a subsidiary undertaking of Spectris Plc, the company has taken advantage of the exemption in FRS 8 Related Party Disclosures from disclosing transactions with other members of the group headed by Spectris Plc

23 Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2011 Land and buildings £000	**Other £000**	2010 Land and buildings £000	Other £000
Operating leases which expire				
Within one year	**-**	**11**	-	-
In the second to fifth years inclusive	**-**	**38**	-	19
Over five years	**476**	**35**	476	-
	476	**84**	476	19

24 Post balance sheet events

The process for liquidating the legal entity of LDS Test and Measurement Sarl started in January 2012, and is expected to be completed during 2012 The company will dispose of its 100% shareholding of its French subsidiary company There is expected to be no financial impact on the 2012 accounts, as the investment was fully impaired during 2009

25 Ultimate parent company and parent undertaking of larger group of which the company is a member

The directors regard Spectris Plc, a company incorporated in the United Kingdom, as the ultimate parent company and the ultimate controlling party

Spectris Plc is the parent company of the largest group of which the company is a member and for which the group financial statements are drawn up No other group financial statements include the results of Bruel & Kjaer VTS Limited Copies of the financial statements of Spectris Plc are available from Station Road, Egham, Surrey, TW20 9NP