

# Notes to the Company's Accounts

## 38. Accounting policies

The separate financial statements of the company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. In accordance with the exemption provided by Section 230 of the Companies Act 1985 the company has not presented its own profit and loss account.

The company has taken the exemption available in respect of the requirements of FRS 29, *Financial Instruments: Disclosures*.

### Basis of accounting

The accounts are prepared on the historical cost basis, except that derivative financial instruments are stated at fair value as described below.

### Derivative financial instruments

The company uses derivative financial instruments to hedge the group's exposure to foreign exchange and interest rate risks arising from operating and financing activities. In accordance with its treasury policy, it does not hold or use derivative financial instruments for trading or speculative purposes.

### Cross-currency interest rate swaps

The company takes advantage of cross-currency interest rate swaps for some of its US dollar-denominated private placement borrowings. The swaps have the effect of converting fixed rate US dollar borrowings into fixed rate euro-denominated borrowings.

The underlying US dollar borrowings are required to be presented separately in the balance sheet from the cross-currency interest rate swaps. In addition, the fair value of the cross-currency interest rate swap is required to be recognised in full on the balance sheet. All changes in value are recognised in the profit and loss account.

### Financial guarantees

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

### Foreign currencies

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic cost.

Depreciation is calculated to write off the difference between the cost or valuation of fixed assets and their residual value over their estimated useful lives on a straight-line basis at the following rates per annum:

Leasehold improvements	5 years
Office equipment	3 years

### Intangible fixed assets and amortisation

Intangible fixed assets purchased by the company are capitalised at their cost.

Amortisation of intangible assets is charged to administrative expenses in the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Software costs	5 years
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### Fixed asset investments

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

### Trade and other receivables

Trade and other receivables are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

### Trade and other payables

Trade and other payables are stated at amortised cost.

### Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred 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 have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

### Leasing

Annual payments under operating leases are charged to the profit and loss account on an accruals basis.

### Post-retirement benefits

The company participates in group operated defined contribution and defined benefit pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The company is unable to identify its share of the group defined benefit scheme's underlying assets and liabilities and therefore accounts for it as a defined contribution scheme. The amounts charged against profits represent contributions payable to the schemes in respect of the accounting period.

### Share-based payments

The fair value of equity-settled employee share option grants is calculated at grant date. The resulting cost for company employees is charged to the income statement over the vesting period of the plans. The company has also offered share options to key management in other group companies and this cost has been included as part of the company's investment in subsidiaries. The value of the charge is adjusted to reflect expected and actual levels of options that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

### Cash flow statement

The company has not presented a separate cash flow statement in accordance with the exemption provided by FRS 1 (Revised), as its cash flows are included within the cash flows of the group, as set out elsewhere in this Annual Report.

## 39. Employee costs and other information

Employee costs, including directors' remuneration, comprise:

	2008 £m	2007 £m
Wages and salaries	4.5	4.6
Social security costs	0.8	0.7
Defined benefit pension plans	1.7	1.7
Defined contribution pension plans	0.4	0.4
Share-based payment expense	0.8	0.6
	<b>8.2</b>	<b>8.0</b>

  

	2008 Number	2007 Number
Average number of employees	<b>30</b>	29

### Directors' remuneration

Further details of directors' remuneration and share options are given in Note 8 to the group financial statements and in the Directors' Remuneration Report on pages 37 to 43.

### Auditors' fees

Fees paid to the group auditors in respect of audit services provided to the company amounted to £0.2m (2007: £0.2m).

## 40. Intangible fixed assets

Cost	Software costs £m
At 1 January 2008	–
Additions	2.5
Disposals	–
At 31 December 2008	<b>2.5</b>

  

Amortisation	
At 1 January 2008	–
Charge for the year	0.1
Disposals	–
At 31 December 2008	<b>0.1</b>

  

Net book value	
At 31 December 2008	<b>2.4</b>
At 31 December 2007	–

# Notes to the Company's Accounts continued

## 41. Tangible fixed assets

	Leasehold improvements £m	Office equipment £m	Total £m
<b>Cost</b>			
At 1 January 2008	0.3	0.7	1.0
Additions	–	–	–
Disposals	–	–	–
At 31 December 2008	<b>0.3</b>	<b>0.7</b>	<b>1.0</b>
<b>Depreciation</b>			
At 1 January 2008	0.3	0.6	0.9
Charge for the year	–	0.1	0.1
Disposals	–	–	–
At 31 December 2008	<b>0.3</b>	<b>0.7</b>	<b>1.0</b>
<b>Net book value</b>			
At 31 December 2008	–	–	–
At 31 December 2007	–	0.1	0.1

## 42. Fixed asset investments

	Investments in subsidiary undertakings £m
<b>Cost</b>	
At 1 January 2008	265.4
Additions	1.7
Disposals	–
At 31 December 2008	<b>267.1</b>
<b>Provision for impairment</b>	
At 1 January 2008	69.1
Charge for the year	–
Disposals	–
At 31 December 2008	<b>69.1</b>
<b>Net book value</b>	
At 31 December 2008	<b>198.0</b>
At 1 January 2008	196.3

Further details regarding the investments in subsidiaries are given in Note 36 to the group's consolidated financial statements.

## 43. Debtors

	2008 £m	2007 £m
<b>Amounts falling due within one year</b>		
Amounts owed by group undertakings	<b>447.4</b>	666.9
Other debtors	<b>0.9</b>	0.3
Prepayments and accrued income	<b>0.3</b>	0.2
Corporation tax	–	1.1
Deferred tax asset	<b>4.3</b>	0.4
	<b>452.9</b>	668.9

#### 44. Creditors: due within one year

	2008 £m	2007 £m
Short-term borrowing:		
Bank overdraft	1.0	2.6
Unsecured bank loans	25.0	–
	<b>26.0</b>	2.6
Amounts owed to group undertakings	85.4	359.4
Other taxation and social security	0.2	0.5
Corporation tax	0.9	–
Accruals and deferred income	5.9	4.5
	<b>92.4</b>	364.4
Total	<b>118.4</b>	367.0

Further details regarding the company's borrowings are set out in Note 20 of the group's consolidated financial statements.

#### 45. Debtors: due after more than one year

	2008 £m	2007 £m
Medium- and long-term debtors:		
Amounts owed by group undertakings	212.7	–

#### 46. Creditors: due after more than one year

	2008 £m	2007 £m
Medium- and long-term borrowing:		
Amounts owed to group undertakings	221.6	–
Unsecured bank loans	25.0	–
Unsecured loan notes	145.9	106.0
	<b>392.5</b>	106.0

Further details regarding the company's borrowings are set out in Note 20 of the group's consolidated financial statements.

#### 47. Derivative financial instruments

	2008 £m	2007 £m
Cross-currency interest rate swaps	16.9	16.1
Forward exchange contracts	0.2	–
	<b>17.1</b>	16.1

Further details regarding the company's cross-currency interest rate swaps and forward exchange contracts are set out in Note 21 of the group's consolidated financial statements.

#### 48. Provisions for liabilities and charges

	£m
At 1 January 2008	1.2
Utilised during the year	(0.3)
At 31 December 2008	<b>0.9</b>

Provisions represent the directors' best estimate of settling various potential claims against the company arising in the ordinary course of business.

# Notes to the Company's Accounts continued

## 49. Share capital

	2008		2007	
	Number of shares million	£m	Number of shares million	£m
Authorised:				
Ordinary shares of 5p each	<b>210.0</b>	<b>10.5</b>	210.0	10.5
Issued and fully paid:				
At 1 January	<b>125.0</b>	<b>6.2</b>	125.0	6.2
At 31 December	<b>125.0</b>	<b>6.2</b>	125.0	6.2

During the year no ordinary shares were issued upon exercise under share option schemes (2007: 38,500).

Share options have been granted to subscribe for ordinary shares of Spectris plc. Full details of share options currently in issue, including those issued during the year, together with information regarding the basis of calculation of the share-based payment expense, is contained in Note 27 to the group's consolidated financial statements.

The company recognised total expenses of £0.8m related to equity-settled share-based payment transactions in 2008 (2007: £0.6m). In addition, the company recognised £1.0m (2007: £0.3m) related to equity-settled share-based transactions for certain employees of other group companies.

## 50. Reserves

	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Special reserve £m	Hedging reserve £m	Profit and loss account £m	Total £m
At 1 January 2008	231.4	3.1	0.3	34.1	–	112.5	381.4
Profit for the year	–	–	–	–	(1.3)	8.2	6.9
Dividends paid	–	–	–	–	–	(25.0)	(25.0)
Share-based payment expense	–	–	–	–	–	1.8	1.8
Own shares (treasury) purchased	–	–	–	–	–	(9.3)	(9.3)
Own shares (EBT) purchased	–	–	–	–	–	(0.2)	(0.2)
Share options exercised from own shares (treasury) purchased	–	–	–	–	–	0.2	0.2
Share options exercised from shares held by Employee Benefit Trust	–	–	–	–	–	0.1	0.1
At 31 December 2008	<b>231.4</b>	<b>3.1</b>	<b>0.3</b>	<b>34.1</b>	<b>(1.3)</b>	<b>88.3</b>	<b>355.9</b>

Further details of the Employee Benefit Trust are set out in Note 29 of the group's consolidated financial statements.

The purpose of the merger reserve and capital redemption reserve is detailed in Note 25 of the consolidated financial statements. The special reserve was created historically following the cancellation of an amount of share premium for the purpose of writing off goodwill. The special reserve is not distributable.

## 51. Reconciliation of movement in equity shareholders' funds

	2008 £m	2007 £m
Profit for the year	6.9	85.9
Dividends paid in the year	(25.0)	(22.2)
Share-based payment expense	1.8	0.9
Own shares (treasury) purchased	(9.3)	(79.2)
Own shares (EBT) purchased	(0.2)	(1.6)
Share options exercised from own shares (treasury) purchased	0.2	2.9
Share options exercised by issue of share capital	–	0.2
Share options exercised from shares held by Employee Benefit Trust	0.1	1.0
Net increase in equity shareholders' funds	(25.5)	(12.1)
Opening equity shareholders' funds	387.6	399.7
Closing equity shareholders' funds	362.1	387.6

## 52. Pensions

Certain of the company's employees participate in the Spectris Pension Plan, a UK multi-employer defined benefit scheme. Further details of the group's scheme are contained in Note 9 to the group's consolidated financial statements. The company is unable to identify its share of the Plan's underlying assets and liabilities and therefore accounts for the scheme as a defined contribution scheme. In accordance with the Schedule of Contributions in place for the Spectris Pension Plan for the financial year ending 31 December 2008, employer contributions are 13% p.a. of pensionable salaries. The actuary certified in 2006 that this level of contributions was adequate for the purposes of the minimum funding requirement. Contributions paid in 2008 to the Spectris Pension Plan were £1.7m (2007: £1.7m) and the amounts outstanding at the year end were £0.1m (2007: £0.1m). Contributions paid in 2008 to defined contribution plans were £0.4m (2007: £0.4m).

## 53. Related party disclosures

The company has taken advantage of the exemption under FRS 8, *Related Party Disclosures*, not to disclose related party transactions between subsidiaries.

There are no material transactions with directors and other related parties of the company except those relating to remuneration and share dealing disclosed in the Directors' Remuneration Report, enclosed within this Annual Report.

## 54. Commitments

	Land and buildings	
	2008 £m	2007 £m
Annual commitments for operating leases expiring		
After five years	0.2	0.2

At the balance sheet date the company had no capital commitments for which provision has not been made (2007: £nil).

## 55. Contingent liabilities

There are no contingent liabilities as at the year end. The cross guarantee arrangements to support trade finance facilities are stated in Note 32 of the group's consolidated financial statements.

## 56. Post balance sheet events

After the year end, a £50m, five-year term facility was secured from the European Investment Bank in January 2009 under covenant conditions in line with existing facilities.