

Notes to the Company's Accounts

35. Accounting policies

The separate financial statements of the company are presented as required by the Companies Act 2006. 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 408 of the Companies Act 2006, 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.

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.

The following amendment has been adopted in these financial statements for the first time:

The amendment to FRS 20 (IFRS 2) *Vesting conditions and cancellations*. The amendment clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and amends the accounting for cancellations and settlements by parties other than the entity. The adoption of this amendment had no material impact on the results of the company in the period.

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

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 initially recognised at fair value and subsequently measured at their amortised cost, reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently measured 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 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 awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the company grants options over its own shares to the employees of its subsidiaries it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiary's financial statements with the corresponding credit being recognised directly in equity.

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.

36. Employee costs and other information

Employee costs, including directors' remuneration	2009 £m	2008 £m
Wages and salaries	3.1	4.5
Social security costs	0.8	0.8
Defined benefit pension plans	1.7	1.7
Defined contribution pension plans	0.4	0.4
Share-based payment expense	0.1	0.8
	6.1	8.2
	2009 Number	2008 Number
Average number of employees	30	30

Directors' remuneration

Further details of directors' remuneration and share options are given in Note 7 to the group's consolidated financial statements and in the Directors' Remuneration Report on pages 42 to 49.

Auditor's fees

Fees paid to the group auditors in respect of audit services provided to the company amounted to £0.2m (2008: £0.2m).

Notes to the Company's Accounts continued

37. Intangible fixed assets

	Software costs £m
Cost	
At 1 January 2009	2.5
Additions	0.1
At 31 December 2009	2.6
Amortisation	
At 1 January 2009	0.1
Charge for the year	0.5
At 31 December 2009	0.6
Net book value	
At 31 December 2009	2.0
At 31 December 2008	2.4

38. Tangible fixed assets

	Leasehold improvements £m	Office equipment £m	Total £m
Cost			
At 1 January 2009	0.3	0.7	1.0
Additions	0.2	–	0.2
Disposals	–	(0.2)	(0.2)
At 31 December 2009	0.5	0.5	1.0
Depreciation			
At 1 January 2009	0.3	0.7	1.0
Disposals	–	(0.2)	(0.2)
At 31 December 2009	0.3	0.5	0.8
Net book value			
At 31 December 2009	0.2	–	0.2
At 31 December 2008	–	–	–

39. Fixed asset investments

	Investments in subsidiary undertakings £m
Cost	
At 1 January 2009	267.1
Disposals	(0.6)
Transfer to group company	(3.1)
At 31 December 2009	263.4
Provision for impairment	
At 1 January 2009	69.1
Charge for the year	0.5
At 31 December 2009	69.6
Net book value	
At 31 December 2009	193.8
At 1 January 2009	198.0

During the year, the company's interest in Spectris AG was transferred to Spectris Group Holdings Limited generating a £0.5m impairment.

Further details regarding the investments in subsidiaries are given in Note 34 to the group's consolidated financial statements.

40. Debtors

Amounts falling due within one year	2009 £m	2008 £m
Amounts owed by group undertakings	389.4	447.4
Other debtors	0.8	0.9
Prepayments and accrued income	0.7	0.3
Deferred tax asset	2.9	4.3
	393.8	452.9

41. Creditors: due within one year

	2009 £m	2008 £m
Short-term borrowing:		
Bank overdraft	–	1.0
Unsecured bank loans	46.4	25.0
	46.4	26.0
Amounts owed to group undertakings	124.5	85.4
Other taxation and social security	–	0.2
Corporation tax	0.6	0.9
Accruals and deferred income	4.8	5.9
	129.9	92.4
Total	176.3	118.4

Further details regarding the company's borrowings are set out in Note 19 of the group's consolidated financial statements.

42. Debtors: due after more than one year

	2009 £m	2008 £m
Medium- and long-term debtors:		
Amounts owed by group undertakings	191.8	212.7

43. Creditors: due after more than one year

	2009 £m	2008 £m
Medium- and long-term borrowing:		
Amounts owed to group undertakings	42.7	221.6
Unsecured bank loans	6.2	25.0
Unsecured loan notes	84.1	145.9
	133.0	392.5

Further details regarding the company's borrowings are set out in Note 19 of the group's consolidated financial statements.

44. Derivative financial instruments

	2009 £m	2008 £m
Cross-currency interest rate swaps	21.1	16.9
Forward exchange contracts	0.3	0.2
	21.4	17.1

Further details regarding the company's cross-currency interest rate swaps and forward exchange contracts are set out in Note 20 of the group's consolidated financial statements.

Notes to the Company's Accounts continued

45. Provisions for liabilities and charges

	£m
At 1 January 2009	0.9
Utilised during the year	(0.1)
Released during the year	(0.5)
At 31 December 2009	0.3

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

46. Share capital

	2009		2008	
	Number of shares million	£m	Number of shares million	£m
Authorised:				
Ordinary shares of 5p each	210.0	10.5	210.0	10.5
Issued and fully paid:				
At 1 January	125.0	6.2	125.0	6.2
At 31 December	125.0	6.2	125.0	6.2

During the year no ordinary shares were issued upon exercise under share option schemes (2008: nil).

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 25 to the group's consolidated financial statements.

The company recognised total expenses of £0.1m related to equity-settled share-based payment transactions in 2009 (2008: £0.8m). In addition, the company recognised a credit of £0.6m (2008: debit of £1.0m) related to equity-settled share-based transactions for certain employees of other group companies.

47. 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 2009	231.4	3.1	0.3	34.1	(1.3)	88.3	355.9
Profit for the year	–	–	–	–	–	123.7	123.7
Amounts recycled to profit and loss	–	–	–	–	1.3	–	1.3
Equity dividends paid	–	–	–	–	–	(27.0)	(27.0)
Share-based payment expense	–	–	–	–	–	(0.4)	(0.4)
Share options exercised from own shares (treasury) purchased	–	–	–	–	–	0.4	0.4
At 31 December 2009	231.4	3.1	0.3	34.1	–	185.0	453.9

Further details of the Employee Benefit Trust are set out in Note 27 of the group's consolidated financial statements.

The purpose of the merger reserve and capital redemption reserve is detailed in Note 24 of the group's 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.

48. Reconciliation of movement in equity shareholders' funds

	2009 £m	2008 £m
Profit for the year	123.7	6.9
Amounts recycled to profit and loss	1.3	–
Equity dividends paid in the year	(27.0)	(25.0)
Share-based payment expense	(0.4)	1.8
Own shares (treasury) purchased	–	(9.3)
Own shares (EBT) purchased	–	(0.2)
Share options exercised from own shares (treasury) purchased	0.4	0.2
Share options exercised from shares held by Employee Benefit Trust	–	0.1
Net increase in equity shareholders' funds	98.0	(25.5)
Opening equity shareholders' funds	362.1	387.6
Closing equity shareholders' funds	460.1	362.1

49. 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 8 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 2009, employer contributions of 13% p.a. of pensionable salaries plus £1,712,000 p.a. were due. However, with effect from 1 January 2010, the level of contributions will be £1,620,000 p.a. for the purposes of deficit recovery. The last formal actuarial certification was obtained in 2008. Contributions paid in the year to the Spectris Pension Plan were £1.7m (2008: £1.7m) and the amounts outstanding at the year end were £0.1m (2008: £0.1m). Contributions paid in the year to defined contribution plans were £0.4m (2008: £0.4m).

50. Related party disclosures

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

51. Commitments

	Land and buildings	
	2009 £m	2008 £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 (2008: £nil).

52. 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 30 of the group's consolidated financial statements.