

HBM United Kingdom Limited
(formerly nCode International Ltd)

Directors' Report and Financial Statements

Registered number 1589921
31 December 2011

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31 December 2011

Directors' report

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

HBM United Kingdom Limited is registered with company number 1589921

Principal activities

The principal activity of the Company during the period continued to be the development and sale of engineering related computer software packages together with the sale of high precision test and measurement sensor products. The core product is used by thousands of engineers worldwide, working in design and development teams in the vehicle, aerospace, offshore, power generation and defence industries.

Business review

The business continues to supply standard products used by thousands of engineers in 'blue chip' global customers, working in test, design and development teams in a broad range of industries. Our products and experience help customers worldwide eliminate unexpected product failures by measuring and converting durability, performance and operational data into information from which decisions can be made that add value through improved reliability and reduced costs.

Despite challenging trading conditions the Directors are satisfied with the results for the 12 months to December 2011. Sales of traditional software and services increased by £0.6m (14%), sales of the traditional HBM Hardware product range increased by £0.2m (4%). The gross margin % increased to 73% (2010: 70%) reflecting the increasing volume of high margin software sales. Overheads increased only marginally (2.6%) and hence the Profit and Loss on page 6 shows significant growth in operating profit from operations of £1,743,000 (2010: £1,116,000).

The directors anticipate that the current level of profitability will continue in the year ended 31 December 2012.

Key indicators

The KPIs used by the Company to review its operational performance include Sales growth, gross and operating margin percentage and debtor days outstanding. The actual results are reviewed against budget, monthly forecasts and prior year. These KPIs are reported on monthly and form part of the overall strategy of the business to aid decision making and improve performance.

Research and development

The Company continues with an active programme of investment and development of its products, in particular, the Company will focus on development needs to enable the business to take advantage of opportunities in targeted alternative business sectors.

Dividends paid and proposed

The Company's profit for the financial period is £1,264,000 (2010: £726,000). The directors proposed no dividends during the period (2010: £nil).

Directors and directors' interests

The directors who held office during the year are given below:

Andreas Huellhorst
James Webster
Roger Stephens
Michael Johnson

31 December 2011

Directors' report *(continued)*

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, and 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



S Fleet

Company Secretary

Advanced Manufacturing Park
Technology Centre
Brunel Way
Catchcliffe
Rotherham
South Yorkshire
S60 5WG

26 July 2012

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,

- make judgments and estimates that are reasonable and prudent,

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of HBM United Kingdom Limited (formerly nCode International Limited)

We have audited the financial statements of HBM United Kingdom Limited (formerly nCode International Limited) for the year ended 31 December 2011 as set out on pages 6 to 18. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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, 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 (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 profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditors' report to the members of HBM United Kingdom Limited (formerly nCode International 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



Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

1 The Embankment

Neville Street

Leeds

LS1 4DW

31 July 2012

31 December 2011

Profit and Loss Account
for the year ended 31 December 2011

	Note	31 December 2011 £'000	31 December 2010 £'000
Turnover	2	8,496	7,729
Cost of Sales		(2,301)	(2,276)
Gross Profit		6,195	5,453
Administrative expenses		(4,452)	(4,337)
Operating Profit		1,743	1,116
Interest receivable and similar income	6	16	10
Interest payable and similar charges	7	(55)	(14)
Profit on ordinary activities before taxation		1,704	1,112
Tax on profit/(loss) on ordinary activities	8	(440)	(386)
Profit for the period		1,264	726

Results for the year ended 31 December 2011 and 31 December 2010 are derived wholly from continuing operations

Notes from pages 9 to 18 form part of these financial statements

The company has no recognised gains or losses other than the profits above in the current and prior year and therefore no other separate Statement of Total Gains and Losses has been presented

There is no difference between the profit stated above and their historical cost equivalents

31 December 2011

Balance Sheet
at 31 December 2011

	Note	2011 £'000	2010 £'000	2010 £'000	2010 £'000
Fixed assets					
Intangible assets	9		1,922		2,035
Tangible assets	10		186		127
			2,108		2,162
Current assets					
Stocks	11	41		-	
Debtors	12	3,955		2,439	
Cash at bank and in hand		266		262	
		4,262		2,701	
Creditors amounts falling due within one year	13	(2,195)		(1,952)	
			2,067		749
Net current assets/(liabilities)					
			4,175		2,911
Total assets less current liabilities					
Creditors amounts falling due after more than one year	14		(1,500)		- (1,500)
			2,675		1,411
Net assets					
Capital and reserves					
Called up share capital	15		98		98
Share premium account	16		466		466
Profit and loss account	16		2111		847
			2,675		1,411
Shareholders' funds					

Notes from pages 9 to 18 form part of these financial statements

These financial statements were approved by the board of directors on 26 July 2012 and were signed on its behalf by



M Johnson
Director

Registered number 1589921

31 December 2011

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2011

	31 December 2011 £'000	31 December 2010 £'000
Profit for the financial period	1,264	726
Retained profit	1,264	726
Net increase in shareholders' funds	1,264	726
Opening shareholders' funds	1,411	685
Closing shareholders' funds	2,675	1,411

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

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

As the Company is a wholly owned subsidiary of Spectris plc, the Company has taken advantage of the exemption contained in FRS8 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 20

The Company's forecast and projections suggest profitability for the foreseeable future The Company has a positive net asset position and a positive cash balance The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separate net assets acquired) arising on business combinations is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life, which is determined by the directors to be 20 years

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Leasehold improvements - Remainder of lease term
Fixtures & Fittings - 5 to 10 years
Computer Equipment - 3 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction 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

Notes (continued)

1 Accounting policies (continued)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

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. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Research expenditure is recognised as an expense as incurred.

Stocks

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable varying selling expenses.

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.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the value of services supplied. Turnover from annual service and maintenance contracts and annual software licenses are recognised over the period of the contract. Income relating to future accounting periods is included in deferred income.

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Dividends on shares presented within shareholders' funds

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.

31 December 2011

Notes (continued)

2 Analysis of turnover

	31 December 2011 £'000	31 December 2010 £'000
By geographical market		
UK	4,069	3,649
Europe	1,186	1,076
North America	2,155	1,669
Far East & Rest of the World	1,086	1,335
	8,496	7,729

3. Notes to the profit and loss account

	31 December 2011 £'000	31 December 2010 £'000
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Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)

Depreciation and other amounts written off tangible fixed assets		
Owned	58	61
Amortisation of intangible assets	113	113
Hire of other assets - operating leases	222	219
Research and development expenditure	18	19
Loss on disposal of tangible fixed assets	-	1

Auditors' remuneration

	31 December 2011 £'000	31 December 2010 £'000
Audit of these financial statements – KPMG	30	38

31 December 2011

Notes (continued)

4. Remuneration of directors

	31 December 2011 £'000	31 December 2010 £'000
Directors' emoluments	64	-
Company contributions to money purchase pension schemes	4	-
	68	-

All remaining directors were remunerated by other Group companies, including LTIP awards from Spectris Plc

	Number of Directors	
	31 December 2011	31 December 2010
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	1	-

Retirement benefits accruing to the remaining directors are disclosed in the relevant accounts

31 December 2011

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	
	31 December 2011	31 December 2010
Technical and professional	54	51
General and administration	4	4
	<u>58</u>	<u>55</u>

The aggregate payroll costs of these persons were as follows

	31 December 2011 £'000	31 December 2010 £'000
Wages and salaries	2,644	2,472
Social security costs	279	264
Other pension costs	191	121
	<u>3,114</u>	<u>2,857</u>

6 Other interest receivable and similar income

	31 December 2011 £'000	31 December 2010 £'000
On all intercompany loans	13	9
Other – external interest receivable	3	1
	<u>16</u>	<u>10</u>

7. Interest payable and similar charges

	31 December 2011 £'000	31 December 2010 £'000
On all intercompany loans	55	14
External interest payable	-	-
	<u>55</u>	<u>14</u>

31 December 2011

Notes (continued)

8 Taxation

Analysis of charge in period

	31 December 2011 £'000	31 December 2010 £'000	£'000
<i>UK corporation tax</i>			
Current tax on income for the period	464	350	
Adjustments in respect of prior periods	(33)	43	
Total current tax		431	393
<i>Deferred tax</i>			
Origination/reversal of timing differences	9	(7)	
Total deferred tax		9	(7)
Tax charge on profit on ordinary activities		440	386
<i>Factors affecting the tax charge for the current period</i>	31 December 2011 £'000	31 December 2010 £'000	
Current tax reconciliation			
Profit/(loss) on ordinary activities before tax	1,704	1,116	
Current tax at 26.5% (2010: 28%)	452	312	
Effects of			
Expenses not deductible for tax	18	31	
Capital allowances for period in excess of depreciation	(9)	7	
Adjustments to tax charge in respect of previous periods	(33)	43	
Tax rate change	3	-	
Total current tax charge (see above)		431	393

31 December 2011

Notes (continued)

9. Intangible fixed assets

	Goodwill £'000
Cost	
At beginning and end of year	2,261
Amortisation and impairment	
At beginning of year	226
Charged in year	113
At end of year	339
Net book value At 31 December 2011	1,922
At 31 December 2010	2,035

10. Tangible fixed assets

	Computer Equipment £'000	Fixtures & Fittings £'000	Total £'000
Cost			
At beginning of year	599	118	717
Additions	115	2	117
Disposals	(2)	-	(2)
At end of year	712	120	832
Depreciation			
At beginning of year	477	113	590
Charge for year	57	1	58
On disposals	(2)		(2)
At end of year	532	114	646
Net book value At 31 December 2011	180	6	186
At 31 December 2010	122	5	127

31 December 2011

Notes (continued)

11 Stocks

	31 December 2011 £'000	31 December 2010 £'000
Finished goods and goods for resale	41	-

12 Debtors

	31 December 2011 £'000	31 December 2010 £'000
Trade debtors	802	963
Amounts owed by group companies	2,955	1,255
Other debtors	10	57
Prepayments and accrued income	140	107
Deferred tax	48	57
	3,955	2,439

13 Creditors amounts falling due within one year

	31 December 2011 £'000	31 December 2010 £'000
Trade creditors	170	190
Amounts owed to group companies	222	209
Corporation tax	466	334
Taxation and social security	230	258
Accruals	731	686
Deferred income	376	275
	2,195	1,952

14 Creditors amounts falling due after more than one year

	31 December 2011 £'000	31 December 2010 £'000
Amounts owed to group companies	1,500	1,500

31 December 2011

Notes (continued)

15 Called up share capital

	31 December 2011 £'000	31 December 2010 £'000
Authorised		
Ordinary shares of £1 each	98	98
Allotted, called up and fully paid		
Ordinary shares of £1 each	98	98

16 Share premium and reserves

	Share premium account £'000	Profit and loss account £'000
At beginning of year	466	847
Profit for the year	-	1,264
At end of year	466	2,111

17. Contingent liabilities

With 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 2011

	31 December 2011 £'000	31 December 2010 £'000
Royal Bank of Scotland	4,000	3,500

31 December 2011

Notes (continued)

18 Commitments

At 31 December 2011 the Company had lease agreements in respect of properties, vehicles, plant and equipment, for which the payment extend over a number of years, as follows

	31 December 2011 £'000	31 December 2010 £'000
Commitments under non cancellable operating leases expiring		
Within one year	21	35
Between two and five years	397	380
	418	415

19 Pension scheme

The Company has established a pension scheme covering many of its employees. The scheme is a funded scheme of the defined contribution type.

Pension costs for the defined contributions scheme are as follows

	31 December 2011 £'000	31 December 2010 £'000
Defined contribution schemes	191	121

20. 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, to be the ultimate parent undertaking. The consolidated accounts of this company are available to the public and may be obtained from Hentage House, Church Road, Egham, Surrey, TW20 9QD, United Kingdom.