HBM United Kingdom Limited

Annual Report and Unaudited Financial Statements

Registered number 1589921
31 December 2017

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Strategic Report

The directors present their strategic report for the year ended 31 December 2017.

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 products. The core products are 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 and related services primarily to '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. Reliability products are dedicated to meeting the reliability engineering, quality and maintenance planning needs of product manufacturers and equipment operators worldwide, through all stages of product development, deployment and operation.
The Directors are satisfied with the results for the 12 months to 31 December 2017. Reported sales increased by 26% (2016: 0%). Sales of traditional software and services increased by 23% (2016: 16%); sales by strategic trading partners increased by 24% (£1.3m) and sales to end users via inter company sales increased by 22% (£0.6m), primarily to US customers. Sales of the traditional HBM Hardware product range increased by 31%, £1.2m (2016: decreased by 22%); Test & Measurement product sales increased by £0.8m and sales of Weighing Technology products increased by £0.2m. The reported gross margin % decreased marginally to 73% (2016: 74%). Overheads increased by 16% and hence the Profit and Loss on page 8 shows operating profit of £3,782,000, a 37% increase over 2016.

The directors anticipate that the current level of profitability will continue in the year ended 31 December 2018.

Strategy

The Company's continuing success is dependent on understanding and meeting the needs of customers, helping them to optimize their processes, from development through testing stages, as well as in manufacturing, production and maintenance planning.

The Directors believe it is important to retain a diversified portfolio of clients and to grow the business organically by providing world class products and high touch technical support. Customer service remains a top priority.

The Company will continue to improve new business levels through both the expansion of distribution networks, working closely with business partners to deliver effective distribution channels, and through continuous mentoring of staff. The Directors remain committed to increasing the levels of recurring revenues and maintaining customer retention.

The Company will continue to consolidate its position and concentrate its efforts on achieving maximum growth in its exisiting market segments. The Directors will maintain the current levels of efficiency in all areas of the operation and will continue a programme of staff training, retaining talented staff who are committed to achieving the business goals.

Strategic Report *(continued)*

Key indicators

Various KPIs are used by the Company to review its operational performance including: sales growth, recurring revenues, gross and operating margin percentage. The actual results are reviewed against budget, monthly forecasts and prior year. KPI's form part of the overall strategy of the business to aid decision making and improve performance.

Sales Growth (sales as reported on page 6)	***2017***	***2016***
HBM Hardware Products	31%	(22)%
HBM nCode Software Products	23%	16%

In 2017 sales of Hardware products increased by £1.2m; a reflection of improving market conditions and the success of new product developments.

Software sales in 2017 increased by £1.9m, 70% of this from technology partnerships.

Recurring Revenues

The Company continues to monitor recurring revenues as a means of helping to secure future profit. In 2017 HBM secured a recurring sales base of £2.6m (2016: £2.1m) representing 36% of overheads (2016: 34%).

Gross Margin %

The gross margin % decreased slightly in 2017 to 73% (2016: 74%). Software margins were maintained at 89% but Hardware margins declined by 3% due to changes in sales mix.

Net return on Sales %

Reported sales increased by 26%, gross margin declined by a modest 1% and overheads increased by 16%; as a result the Company delivered a 25% return on sales, slightly above the 23% return in 2016. The directors are confident that this level of return will continue.

Principal risks and uncertainties

The process of risk management is addressed through a set of policies, procedures and internal controls. Framework policies are defined at Group level and are implemented and subject to ongoing review by management and internal audit.

Compliance with regulation, legal and ethical standards is a high priority for the Group and the compliance team take on an important oversight in this regard. The internal audit team and local finance department are responsible for satisfying themselves that a proper internal control framework exists to manage financial risks and that controls operate effectively.

The Group has developed a framework for identifying risks that each business sector, and the Group as a whole, is exposed to and the likely impact. A key risk to the software business is the security of intellectual property. The Company has a robust set of policies for securing software source code and for maintaining adequate disaster recovery plans, both reviewed on a regular basis.

Strategic Report *(continued)*

Future developments

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 new business sectors and also to maintain its position within existing sectors.

By order of the board



S Fleet
Company Secretary

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

7 August 2018

Directors' Report

Results and dividends

The company made a profit after tax in the year of £3,077,000 (2016: £2,213,000).

During the year the company did not pay a dividend to its parent company (2016: £nil).

The directors do not recommend payment of a dividend.

Directors

The directors who held office during the year were:

Andreas Huellhorst
Michael Johnson

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

By order of the board



S Fleet
Company Secretary

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

7 August 2018

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

The directors are responsible for preparing the Strategic Report, 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), including FRS 101 Reduced Disclosure Framework.

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.

Profit and Loss Account
for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	2	**15,140**	12,050
Cost of sales		**(4,151)**	(3,101)
Gross profit		**10,989**	8,949
Administrative expenses		**(7,207)**	(6,191)
Operating profit	3	**3,782**	2,758
Interest receivable and similar income	6	**11**	28
Profit before taxation		**3,793**	2,786
Tax on profit	7	**(716)**	(573)
Profit for the year		**3,077**	2,213

Results for the year ended 31 December 2017 and 31 December 2016 are derived wholly from continuing operations.

Notes on pages 10 to 21 form part of these financial statements.

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

Statement of Comprehensive Income

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Profit for the financial year		**3,077**	2,213
Other comprehensive income:		**-**	-
		3,077	2,213
Items that can be reclassified to profit or loss:		**-**	-
Total comprehensive income for the year		**3,077**	2,213

Statement of Changes in Equity
for the year ended 31 December 2017

	Called up Share Capital £'000	Share Premium £'000	Profit & Loss Account £'000	Total Equity £'000
Balance at 1 January 2016	**98**	**466**	**9,300**	**9,864**
Profit for the year	-	-	**2,213**	**2,213**
Other comprehensive income:	-	-	-	-
Total comprehensive income for the year	-	-	**2,213**	**2,213**
Transactions with owners recorded directly in equity:	-	-	-	-
Balance at 31 December 2016	**98**	**466**	**11,513**	**12,077**
Balance at 1 January 2017	**98**	**466**	**11,513**	**12,077**
Profit for the year	-	-	**3,077**	**3,077**
Other comprehensive income:	-	-	-	-
Total comprehensive income for the year	-	-	**3,077**	**3,077**
Transactions with owners recorded directly in equity:	-	-	-	-
Balance at 31 December 2017	**98**	**466**	**14,590**	**15,154**

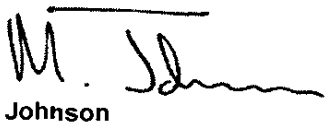
Balance Sheet
at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	9	**1,696**	1,696
Tangible assets	10	**458**	449
		2,154	2,145
Current assets			
Stocks	11	**26**	31
Debtors	12	**18,499**	14,253
Cash at bank and in hand		**1,204**	953
		19,729	15,237
Creditors: amounts falling due within one year	13	**(6,301)**	(4,565)
Provisions	14	**(428)**	(740)
Net current assets		**13,000**	9,932
Total assets less current liabilities		**15,154**	12,077
Net assets		**15,154**	12,077
Capital and reserves			
Called up share capital	15	**98**	98
Share premium account		**466**	466
Profit and loss account		**14,590**	11,513
Shareholders' funds		**15,154**	12,077

For the financial year ending 31 December 2017 the company was entitled to exemption from audit under Section 479A of the Companies Act 2006. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of the accounts.

Notes on pages 10 to 21 form part of these financial statements.

These financial statements were approved by the Board of Directors on 7 August 2018 and were signed on its behalf by:



M Johnson
Director

Registered number: 1589921

Notes to the Accounts

1. Basis of preparation and summary of significant accounting policies

HBM United Kingdom Limited (the "company") is a private company limited by shares and incorporated and domiciled in the UK.

a) Basis of preparation

The financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101").

In preparing these financial statements, the Company applies the recognition, meaurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Spectris Plc, includes the Company in it's consolidated financial statements. These are prepared in accordance with International Financial Reporting Standards and are available to the public or may be obtained from Heritage House, Church Road, Egham, Surrey TW20 9QD, United Kingdom.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- Disclosures in respect of the compensation of key management personnel;
- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible fixed assets;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs'.

As the consolidated financial statements of Spectris plc include the equivalent disclosure the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures; and
- IFRS 2 Share Based Payments in respect of group settled share based payments.
- Disclosures of transactions with other wholly owned subsidiaries

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies are set out below.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Going concern

The company is expected to continue to generate positive cash flows on its own account for the forseeable future.

On the basis of their assessment of the company's financial position the directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future and, thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the Accounts *(continued)*

b) Summary of significant accounting policies

Intangible assets

The company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. This is not in accordance with the UK Companies Act which requires goodwill to be amortised over its useful economic life. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment losses. The cost comprises the purchase price paid and any costs directly attributable to bringing it into working condition for its intended use.
Depreciation is recognised in the profit and loss account on a straight-line basis to write off the cost, less the estimated residual value (which is reviewed annually), of property, plant and equipment over its estimated useful economic life. Depreciation commences on the date the assets are ready for use within the business and the asset carrying values are reviewed for impairment when there is an indication that they may be impaired.

The depreciation charge is revised where useful lives are different from those previously estimated, or where technically obsolete assets are required to be written down. Where parts of an item of plant and equipment have separate lives, they are accounted for and depreciated as separate items. Land is not depreciated. Estimated useful lives are as follows:

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

Notes to the Accounts *(continued)*

Stocks

Stocks and work in progress are carried at the lower of cost and net realisable value. Stock acquired as part of business combinations is valued at fair value less cost to sell. Cost represents direct costs incurred and, where appropriate, production or conversion costs and other costs to bring the stock to its existing location and condition. In the case of manufacturing stock and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Stock is accounted for on a first-in, first-out basis or, in some cases, a weighted average basis is used if deemed more appropriate for the business. Provisions are made to write down slow-moving, excess and obsolete items to net realisable value, based on an assessment of technological and market developments and on an analysis of historic and projected usage with regard to quantities on hand.

Trade and other debtors

Trade and other debtors are carried at original invoice amount which is considered a reasonable proxy for fair value, less provision made for impairment of these debtors. A provision for impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors. The amount of the provision is the difference between the original carrying amount and the recoverable amount, being the present value of expected cash flows receivable. The amount of the provision is recognised in the profit and loss account.

Cash at bank and in hand and short term deposits

Comprises cash at bank and in hand and short-term deposits held on call or with maturities of less than three months at inception.

Trade and other creditors

Trade and other creditors are carried at the amounts expected to be paid to counterparties.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources, that can be reliably measured, will be required to settle the obligation. In respect of warranties, a provision is recognised when the underlying products or services are sold. Provisions are recognised at an amount equal to the best estimate of the expenditure required to settle the company's liability. A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefit is probable. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and when there is a valid expectation that such a plan will be carried out.

Leasing

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Taxation

Tax on the profit or loss for the year comprises both current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised either in other comprehensive income or directly in equity, in which case tax is recognised in the Statement of Comprehensive Income or the Statement of Changes in Equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of prior years.

Notes to the Accounts *(continued)*

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and their corresponding tax bases. Deferred tax is measured using the tax rates expected to apply when the asset is realised or the liability settled based on tax rates enacted or substantively enacted by the balance sheet date.

However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currency translation

The functional currency for the company is determined with reference to the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions are translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates, and are charged/credited to the profit and loss account. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

Employee benefits

The company operates defined contribution pension schemes.

Defined contribution scheme

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the profit and loss account in the periods during which services are rendered by employees.

Share-based payments

Certain employees of the company receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions is determined by an external consultant and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the company's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet reporting date up to the vesting date, at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Turnover

Turnover comprises of sales to external customers after discounts and excluding Value Added Tax and similar sales taxes.

Notes to the Accounts *(continued)*

Turnover 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. Turnover 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.

Occasionally, the initial contract covers both the supply of goods and on-going support, servicing and maintenance. For such contracts revenue is allocated across each of the individual components in line with their relative value and each element is accounted for as described above.

Interest payable and similar charges and interest receivable and similar income

Interest payable and similar charges comprises the interest payable on borrowings calculated using the effective interest method. Interest receivable and similar income comprises interest income on cash and funds invested and is recognised in the profit and loss account as it accrues.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Financial instruments

Recognition

The company recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Measurement

When financial assets and liabilities are initially recognised, they are measured at fair value, being the consideration given or received plus directly attributable transaction costs.

In determining estimated fair value, investments are valued at quoted bid prices on the trade date. When quoted prices on an active market are not available, fair value is determined by reference to price quotations for similar instruments traded.

Loans and debtors comprise loans and advances other than purchased loans. Originated loans and debtors are initially recognised in accordance with the policy stated above and subsequently re-measured at amortised cost using the effective interest method. Allowance for impairment is estimated on a case-by-case basis.

Derecognition

A financial asset is derecognised when the company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished. Originated loans and debtors are derecognised on the date they are transferred by the company.

Contingent liabilities

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within it's 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 that it becomes probable that the company will be required to make a payment under the guarantee.

Notes to the Accounts *(continued)*

Accounting estimates and judgements

Management does not consider there to be any significant judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, in the preparation of the financial statements.

2. Turnover

An analysis of the company's turnover is as follows:	**2017 £'000**	2016 £'000
Sale of software packages	**3,672**	2,271
Sale of goods	**4,614**	3,730
Services rendered	**6,854**	6,049
Turnover from continuing operations	**15,140**	12,050

An analysis of the company's turnover by geographical area:	**2017 £'000**	2016 £'000
UK	**6,001**	4,012
Europe	**3,275**	3,009
North America	**4,063**	3,528
Rest of the World	**1,801**	1,501
	15,140	12,050

3. Operating profit

Operating profit has been arrived at after charging:	**2017 £'000**	2016 £'000
Research and development expenditure - including staff costs	**1,932**	2,064
Depreciation of property, plant and equipment	**152**	149
Operating lease payments	**314**	283

Policy on development costs is to capitalise when the criteria are met, no costs were capitalised in the year.

4. Auditor's remuneration:

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2017 £'000	2016 £'000
Audit of the Company	**-**	37

5. Employee numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2017 Number	2016 Number
Technical and professional	**72**	69
General and administration	**5**	4
	77	73

Notes to the Accounts *(continued)*

The aggregate payroll costs of these persons, including Directors' remuneration, were as follows:

	2017 £'000	2016 £'000
Wages and salaries	**4,086**	3,731
Social security costs	**427**	419
Other pension costs	**468**	419
	4,981	4,569

Directors' remuneration	2017 £'000	2016 £'000
Short term benefits	**147**	137
Company contributions to money purchase pension schemes	**13**	11
	160	148

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

Number of Directors	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

Retirement benefits accruing to the remaining directors are disclosed in the relevant accounts for which the amount is accrued.

6. Interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable from Group undertaking	**11**	28

7. Taxation

Tax charged in the profit and loss account	*note*	2017 £'000	2016 £'000
Current tax:			
UK corporation tax		**733**	563
Adjustments in respect of prior years		**(11)**	16
Total current tax charge.		**722**	579
Deferred tax			
Origination/reversal of temporary differences	*8*	**(5)**	(2)
Change in tax rates	*8*	**0**	9
Adjustments in respect of prior years	*8*	**(1)**	(13)
Total deferred tax credit		**(6)**	(6)
Total tax charge in the profit and loss account		**716**	573

Notes to the Accounts *(continued)*

Reconciliation of the total tax charge

The tax charge in the profit and loss account for the year is lower (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	2017	2016
	£'000	£'000
Profit before taxation	**3,793**	2,786
Corporation tax at standard rate of 19.25% (2016: 20%)	**730**	557
Effects of:		
Non-taxable income and gains	**(3)**	
Non-deductible expenditure	**-**	2
Other current year items	**1**	11
Adjustments to prior year current and deferred tax charges	**(12)**	3
Total tax charge reported in the profit and loss account	**716**	**573**

Change in corporation tax rate

A reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 15 September 2016. Deferred tax at 31 December 2017 has been calculated based on these rates.

8. Deferred Taxation

The deferred tax included in the company balance sheet is as follows:

	2017	2016
Deferred tax asset	**£'000**	£'000
Temporary difference relating to tangible assets	**42**	37
Temporary difference relating to other items	**13**	12
	55	49
Disclosed on the balance sheet (note 12)		
Deferred tax asset	**55**	49
	55	49

	2017	2016
Deferred tax in the profit and loss account	**£'000**	£'000
Temporary difference relating to tangible assets	**(6)**	-
Temporary difference relating to other items	**1**	(2)
Change in tax rates	**-**	9
Adjustments in respect of prior years	**(1)**	(13)
Deferred tax credit to the profit and loss account	**(6)**	(6)

Notes to the Accounts *(continued)*

9. Intangible assets

	Goodwill
Cost	**£'000**
At 1 January 2017 and 31 December 2017	**2,261**
Accumulated amortisation and impairment	**£'000**
At 1 January 2017 and 31 December 2017	**565**
Carrying amount	
At 31 December 2016 and 31 December 2017	**1,696**

Goodwill

Goodwill is allocated to one cash generating unit that is anticipated to benefit from the acquisition.

	2017	2016
Carrying amount of goodwill allocated to cash generating units	**£'000**	£'000
Hardware Products Division	**1,696**	1,696

Other intangible assets

The company has no internally-generated intangible asssets from development expenditure as the criteria for the recognition as an asset under IAS 38 'Intangible Assets' have not been met (2016: nil).

For the current year, the recoverable amount of the assets was taken to be their value in use and was calculated by reference to the forecast cash flows.

The present value of the future cash flows has been calculated with the following key assumptions:

• Cash flows for years 1-10 for the CGU represent management's best estimate of future cash flows as at 31 December 2017, and are based upon 2018 management approved budget for the Harrow facility. The main assumptions underlying the plan relate to operating profit growth and cash conversion.

• Operating profits assume annual growth in line with historical performance with expected cash conversion of 75%.

• Cash flows into perpetuity have not been incorporated into the calculations.

• A post tax discount rate of 8.2% (2016: 8.2%) has been used in the forecast.

Notes to the Accounts *(continued)*

10. Tangible fixed assets

Cost	Leasehold Improvements £'000	Plant & Equipment £'000	Total £'000
At 1 January 2017	118	1246	1364
Additions	7	154	161
Disposal	-	(92)	(92)
At 31 December 2017	125	1308	1433
Accumulated depreciation and impairment			
At 1 January 2017	31	884	915
Charge for the year	11	141	152
Disposals	-	(92)	(92)
At 31 December 2017	42	933	975
Carrying amount			
At 31 December 2017	**83**	**375**	**458**
At 31 December 2016	87	362	449

11. Stocks

	2017 £'000	2016 £'000
Raw materials	**8**	4
Finished goods	**18**	27
	26	31

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of

12. Debtors

Amounts falling due within one year:	2017 £'000	2016 £'000
Trade debtors	**2,871**	1,455
Amounts owed by group undertakings	**14,953**	11,857
Other debtors	**93**	99
Prepayments and accrued income	**527**	793
Deferred tax (note 8)	**55**	49
	18,499	14,253

13. Creditors

Amounts falling due within one year:	2017 £'000	2016 £'000
Trade creditors	**98**	162
Amounts owed to group companies	**745**	344
Current tax liability	**733**	568
Taxation and social security	**469**	247
Accruals	**839**	557
Deferred income	**3,417**	2,687
	6,301	4,565

Notes to the Accounts *(continued)*

14. Provisions for other liabilities and charges

	Trading Partner £'000	Product Warranty £'000	Dilapidation £'000	Total £'000
At January 2017	607	61	72	**740**
Released during the year	(308)	(4)	-	**(312)**
At December 2017	**299**	**57**	**72**	**428**

Product warranty

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business and included within the Group's standard terms and conditions. Warranty commitments typically apply for a 24-month period. These extended warranties are not significant.

Dilapidation

The company has 2 leased offices, under the terms of the lease the company is to return the properties to the condition as at the start of the lease. The dilapidation provision represents the cost to conform with this agreement.

Trading Partner

The company grants a trading partner rights to embed and sub license elements of its Fatigue technology; fees are paid back to the company on a royalty basis. The trading partner has claimed an over-payment of royalties in years 2011 to 2015.

15. Share capital

Allotted, called up and fully paid	2017 £'000	2016 £'000
98,055 Ordinary shares of £1 each	**98**	98

16. Contingent liabilities

As 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:

	2017 £'000	2016 £'000
Royal Bank of Scotland	**2,342**	1,818

17. Operating Leases

Non-cancellable operating leases are payable as follows:

	2017		2016	
	Property £'000	Other £'000	Property £'000	Other £'000
Within one year	**232**	**73**	130	66
One to two years	**232**	**49**	130	40
Between two and five years	**669**	**61**	390	13
Greater than 5 years	**589**	**-**	304	-
	1,722	**183**	**954**	**119**

During the year £314,000 (2016: £283,000) was recognised as an expense in the profit and loss account in respect of operating leases.

Notes to the Accounts *(continued)*

18. Ultimate parent company

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: Heritage House, Church Road, Egham, Surrey, TW20 9QD, United Kingdom.