

Millbrook Proving Ground Limited
Annual report and financial statements

Year ended 31 December 2017

Registered number: 02230262



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Officers and Professional Advisors

DIRECTORS

A.M. Burns
J.A. Eaton
M.O. Hughes
A.E.B. Nelson
E.P. O'Lionaird

REGISTERED OFFICE

Millbrook Proving Ground
Millbrook
Bedford
MK45 2JQ

BANKERS

National Westminster
PO Box 34
15 Bishopsgate
London
EC2P 2AP

AUDITOR

Deloitte LLP
Statutory Auditor
Abbots House
Abbey Street
Berkshire
RG1 3BD

Strategic report

The Directors present the Strategic report, the Director's report and the financial statements of Millbrook Proving Ground Limited ("the Company") for the year ended 31 December 2017.

Review of the Company's business

The Company is a wholly owned subsidiary of Spectris plc, providing vehicle test, validation and engineering services to customers in the automotive, transport, tyre, petrochemical, defence and security industries. It is independent and impartial in everything it does.

At its Proving Ground in the UK, the Company has 70km of varied test tracks, including hill routes, high speed areas and challenging off road courses. Its professional drivers and engineers perform repeatable tests on all types of vehicles in a secure and safe environment. It has a range of test facilities for components and full vehicles. These include engine dynamometers, environmental chambers, crash laboratories and advanced emissions chassis dynamometers.

The Company engineers specialist vehicle conversions. These range from new versions of existing platforms, including powertrain development work, to armoured solutions and complex electronics installations. It conducts impartial vehicle assessments and develops class-leading vehicle dynamics improvements. The Company helps vehicle manufacturers manage complex bills of materials and launch new models.

The Company, through Millbrook Technology Park, is home to innovative companies who benefit from access to the Company's testing facilities and expertise, forming an integral part of the UK's vehicle technology cluster. The Company as Millbrook Venues hosts vehicle-related events for up to 7,000 people.

The quality of the Company's work is reflected in its ISO 9001 and ISO 17025 accreditations. Additionally, the increasing relevance of security considerations to its customers has led it to secure ISO 27001 accreditation.

Strategic report (Continued)

Business Review

The Company's revenue for the year ended 31 December 2017 was £47.1 million compared with £38.4 million for the year ended 31 December 2016. The revenue increase in the year was principally the result of organic growth and in addition there was six months contribution from the acquisition of CSA's Leyland Technical Facility on 1 July 2017.

EBITDA before exceptional operating items for the year ended 31st December 2017 was £6.4 million, an increase over the year ended 31 December 2016 of £1.9 million.

The Company had net assets of £25.2 million as at 31 December 2017 (2016: £20.9 million), with £2.1 million (2016: £2.5 million) of this as cash and cash equivalents.

The principal risks and uncertainties which affected the business included the following:

- Customer Relationships: the Company maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed;
- Contract Risk: the Company conducts significant elements of its business under customer contracts which include performance, delivery and other specific conditions. Rigorous review processes are in place across the Company to ensure that financial, qualitative and quantitative parameters are met. An elevated approval process exists for material contracts;
- The effect of legislation or other regulatory activities: the Company monitors forthcoming and current legislation regularly. Due to the geographic spread of the Company and its suppliers, Brexit is not expected to represent a material risk, although this situation is under constant review;
- New product, project, process and technology risk: the Company develops new products and processes in support of its existing and new programme activities, and is actively investing in additional services and facilities to support customer demand. All product development involves business risk both in terms of expenditure and reputation. Such risks are managed to reduce their impact, if any, on the Company;
- Raw material availability and prices: the Company monitors raw material sources and negotiates forward purchase contract terms. For items designated in foreign currencies, the Company enters into forward currency contracts to secure the price being paid; and
- All appropriate measures were taken to protect the Company's intellectual property rights and to minimise the risk of infringement of third party rights.

Key performance indicators

The Company considers the following to be the key performance indicators that help management to measure the Company's performance:

KPI	2017	2016
	£'000	£'000
Revenue	47,084	38,439
EBITDA (before exceptional items)	6,356	4,440
Net Assets	25,244	20,902
Cash position	2,092	2,504

Strategic report (Continued)

Key areas of strategic development and performance of the business include:

Sales and marketing: new and replacement business is won regularly; new markets have been developed in line with the Company's strategy; key customer relationships are actively maintained;

Services: the Company operates as an independent provider of test services. It does not own, or seek to develop, proprietary intellectual property in competition with its customers;

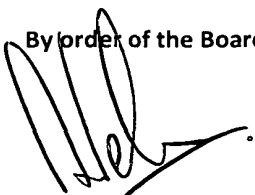
People: investment in training and strengthening of the management and staff to enable the Company to fulfil its strategy;

Capabilities and capacity: the company has, and continues to invest significant sums to develop new facilities for which there is strong customer demand;

Processes: new product introduction processes continue to be developed for new programmes with customers; production efficiencies have been gained and new initiatives for process and efficiency improvements continue to be developed and implemented; and

Competitive advantage: the company operates in a highly competitive market. The company focuses on areas where it has a competitive advantage enabling it to be well positioned for sustainable long-term growth.

By order of the Board



A.E.B. Nelson
Director

Registered Office:

Millbrook Proving Ground
Millbrook
Bedford
Bedfordshire
MK45 2JQ
08 August 2018

Directors' report

The Directors of Millbrook Proving Ground Limited ("the Company") present the annual report on the affairs of the Company together with the financial statements and auditor's report for the year ended 31 December 2017.

Results and dividends

The Company made a profit after tax in the year of £4,342,000 (2016: profit of £1,730,000).

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 at the date of approval of the 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.

The Company maintains insurance in respect of the Directors and Officers against any such liabilities as are referred to in Section 232 of the Companies Act 2006 and the insurance policy remains in force at the date of this report.

The Directors of the Company are set out below:

A.M. Burns

J.A. Eaton

M.O. Hughes

A.E.B. Nelson

E.P. O'Lionaird

There were no changes in Directors during the year.

Directors' report (Continued)

Going Concern

The Company had net assets of £25,244,000 as at 31 December 2017 (2016: £20,902,000). The Directors have carried out a detailed review of cashflow projections covering 12 months from the approval of these financial statements. The Company is dependent on the continued support of its ultimate parent company however the Directors are satisfied that the Company can generate sufficient cashflow from the existing business to meet its day to day obligations as they fall due. Therefore they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Employee Consultation

The Directors regard employee involvement and effective communication as essential to maintain productive relationships, achieve improved performance and ensure commitment to the Company's business objectives. Discussions take place regularly with the trade unions and other employee representatives on a wide range of issues through the forum of the Joint Negotiating Committee or with local Trade Union representatives. Additionally, all employees are briefed throughout the year on the current business status and the immediate outlook through a range of communication forums.

Employment of disabled persons

The Company gives full consideration to employing disabled persons and making reasonable adjustments where necessary. Employees who become disabled are given every opportunity and assistance to continue in their employment or to be trained for other suitable positions.

Research and Development

During 2017 the Company continued to work on research and development projects on behalf of both ourselves and our clients.

Auditor

Following an audit tender conducted during the year, Deloitte LLP were selected as auditor for the Spectris Group. Accordingly, Deloitte LLP were appointed and replaced KPMG LLP as auditor for the year ending 31 December 2017.

By order of the Board



A.E.B. Neslon
Director

Registered Office:
Millbrook Proving Ground
Millbrook
Bedford
Bedfordshire
MK45 2JQ
08 August 2018

Statement of Directors' Responsibilities in respect of the Strategic Report, 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 judgements 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.

Independent Auditor's Report to the members of Millbrook Proving Ground Limited

Report on the audit of the financial statements

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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Millbrook Proving Ground Limited (the 'company') which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the basis of preparation and summary of significant accounting policies; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the members of Millbrook Proving Ground Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent Auditor's Report to the members of Millbrook Proving Ground Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.
- The Directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.



James Hunter (ACA) (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
08 August 2018

Income Statement

For the year ended 31 December 2017

	Note	2017 £000	2016 £000
Revenue	3	47,084	38,439
Cost of sales		(17,171)	(15,721)
Gross Profit		29,913	22,718
Administrative expenses		(24,487)	(20,006)
Operating profit before depreciation and exceptional items		6,356	4,440
Depreciation		(1,963)	(1,375)
Exceptional operating items		1,033	(456)
Change in fair value on derivative instruments		-	103
Operating profit	4	5,426	2,712
Finance expense	5	(551)	(847)
Profit before tax		4,875	1,865
Taxation	8	(533)	(135)
Profit after tax for the year attributable to owners of Parent Company		4,342	1,730
Total comprehensive income for the year attributable to owners of parent		4,342	1,730

The results in the profit and loss account relate entirely to continuing operations.
The notes on pages 16 to 34 form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 £000	2016 £000
Profit for the period	4,342	1,730
Total comprehensive income for the year attributable to owners of Parent Company	4,342	1,730

Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital	Share premium	Retained Earnings	Total equity
For the year ended 31 December 2017	£000	£000	£000	£000
Balance at 1 January 2017	4,441	8,730	7,731	20,902
Profit for the year	-	-	4,342	4,342
Total comprehensive income for the year	-	-	4,342	4,342
Balance at 31 December 2017	4,441	8,730	12,073	25,244

	Share capital	Share premium	Profit and loss account	Total equity
For the year ended 31 December 2016	£000	£000	£000	£000
Balance at 1 January 2016	4,441	8,730	6,001	19,172
Profit for the year	-	-	1,730	1,730
Total comprehensive income for the year	-	-	1,730	1,730
Balance at 31 December 2016	4,441	8,730	7,731	20,902

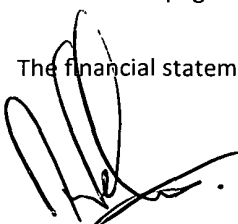
Statement of Financial Position

As at 31 December 2017

	Note	2017 £000	2016 £000
ASSETS			
Non-current assets			
Property, plant and equipment	10	48,099	25,445
		48,099	25,445
Current assets			
Inventories	11	949	164
Trade and other receivables	12	12,305	14,270
Cash and cash equivalents		2,092	2,504
		15,346	16,938
TOTAL ASSETS		63,445	42,383
LIABILITIES			
Current liabilities			
Trade and other payables	13	(29,196)	(12,385)
Deferred tax liabilities	8	(184)	(197)
		(29,380)	(12,582)
Non-current liabilities			
Trade and other payables	13	(8,426)	(8,426)
Provisions	14	(395)	(473)
		(8,821)	(8,899)
TOTAL LIABILITIES		(38,201)	(21,481)
NET ASSETS		25,244	20,902
EQUITY			
Share capital	16	4,441	4,441
Share premium		8,730	8,730
Retained earnings		12,073	7,731
Total equity attributable to equity holders of Parent Company		25,244	20,902

The notes on pages 16 to 34 form part of these financial statements.

The financial statements were approved by the Board of Directors on 8 August 2018 and were signed on its behalf by:



A.E.B. Nelson
Director

Notes to the financial statements

1. Basis of preparation and summary of significant accounting policies

The financial statements of Millbrook Proving Ground Limited were approved for issue by the Board of Directors on 8 August 2018.

Millbrook Proving Ground Limited (the "Company") is a private company incorporated, domiciled and registered in England and Wales. The registered number is 02230262.

The Company's financial statements are presented in pounds sterling, which is also the Company's functional currency. The Company's financial statements are individual entity financial statements.

a) Basis of preparation and summary of significant accounting policies

The Company transitioned to Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), in order to align with the ultimate parent company's reporting which is on a full IFRS basis, for all periods presented. Figures for comparative periods have been restated with details of adjustments set out in note 2.

In preparing these financial statements, the Company applies the recognition, measurement 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 parent company, Spectris plc, was notified and did not object to the use of disclosure exemptions.

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Spectris plc include the disclosures equivalent to those required by FRS101, The Company has also taken the exemption available in respect of certain disclosures required by FRS101.

- Basic Financial Instruments, and
- Other financial instruments in respect of financial instruments not falling within the fair value and accounting rules of paragraph 36(4) of schedule 1.
 - Financial instrument disclosures, include:
 - categories of financial instruments
 - items of income, expenses, gains or losses relating to financial instruments, and
 - exposure to and management of financial risks.

Notes to the financial statements (Continued)

1. Basis of preparation and summary of significant accounting policies (Continued)

The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 31 December 2017 and have been applied consistently to all years presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except that derivatives are stated at their fair value.

As the Company is a wholly owned subsidiary of Spectris plc, the Company has taken advantage of the exemption contained in Financial Reporting Standard 101 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Going concern

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable 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 they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Additionally, the ultimate controlling undertaking and fellow group undertakings have confirmed that they will provide financial support to enable the company to meet its financial obligations, as they fall due.

Significant accounting judgements and estimates

In preparing the Financial Statements, management has made judgements, estimates and assumptions that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an on-going basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Notes to the financial statements (Continued)

1. Basis of preparation and summary of significant accounting policies (Continued)

b) Summary of significant accounting policies

Derivative financial instruments

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	25 years
Plant and machinery and equipment	2 to 10 years
Motor vehicles	3 years
Fixtures, fittings and equipment	3 to 7 years
Leasehold improvements to buildings	Over life of lease

Residual value is calculated on prices prevailing at the date of acquisition.

Assets in the course of construction are not depreciated.

Leased assets

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes to the financial statements (Continued)

1. Basis of preparation and summary of significant accounting policies (Continued)

b) Summary of significant accounting policies (Continued)

Investments

Investments in subsidiaries and other investments are stated at historical cost, less provision for any impairment in value.

Inventory

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Provision is made for any anticipated obsolescence, slow moving or defective items of stocks.

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

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

Research and development

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

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes to the financial statements (Continued)

1. Basis of preparation and summary of significant accounting policies (Continued)

b) Summary of significant accounting policies (Continued)

Government Grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

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.

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.

Notes to the financial statements (Continued)

1. Basis of preparation and summary of significant accounting policies (Continued)

b) Summary of significant accounting policies (Continued)

Turnover

Turnover represents amounts receivable for goods and services provided in the course of business, net of trade discounts, VAT and other sales related taxes.

Profit is realised on contracts for the provision of services if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

Principal judgements made in the period relate to the assessment of completion of contracts for the provision of services.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company 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 as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes to the financial statements (Continued)

1. Basis of preparation and summary of significant accounting policies (Continued)

b) Summary of significant accounting policies (Continued)

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, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, 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.

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.

New standards and interpretations not applied

At the date of authorisation of these financial statements, the following standards and interpretations that are relevant to the Company, which have not been applied in these financial statements, were in issue but not yet effective. With the exception of IFRS 16, none are anticipated to significantly impact the Company's results or assets and liabilities and are not expected to require significant amendments to disclosure. The full financial impact and disclosure impact of IFRS 16 are still to be finalised.

	Effective for periods beginning on or after:
International Financial Reporting Standards ('IFRSs')	
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019

Notes to the financial statements (Continued)

2. Transition to FRS 101

For all periods up to and including the period ended 31 December 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Practice ('UK GAAP'); and subsequent years were prepared in accordance with FRS 102. These financial statements, for the period ended 31 December 2017, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 31 December 2015 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 31 December 2015, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 31 December 2015 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 December 2016.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 First Time Adoption of International Financial Reporting Standards.

Notes to the financial statements (Continued)

2. Transition to FRS 101 (Continued)

		As at 31 December 2016			As at 31 December 2015		
	Notes	UK GAAP £	FRS 101 reclassifications/ remeasurements	FRS 101 £	UK GAAP £	FRS 101 reclassifications/ remeasurements	FRS 101 £
Non-current assets							
Property, plant and equipment	10	25,445	-	25,445	15,176	-	15,176
		25,445	-	25,445	15,176	-	15,176
Current assets							
Inventories	11	164	-	164	1,453	-	1,453
Trade and other receivables	12	14,270	-	14,270	16,512	-	16,512
Cash and cash equivalents		2,504	-	2,504	579	-	579
		16,938	-	16,938	18,544	-	18,544
TOTAL ASSETS		42,383	-	42,383	33,720	-	33,720
Current liabilities							
Trade and other payables	13	(12,385)	-	(12,385)	(13,974)	-	(13,974)
Deferred tax liabilities		(197)	-	(197)	(96)	-	(96)
		(12,582)	-	(12,582)	(14,070)	-	(14,070)
Non-current liabilities							
Trade and other payables	13	(8,426)	-	(8,426)	-	-	-
Provisions	14	(473)	-	(473)	(478)	-	(478)
		(8,899)	-	(8,899)	(478)	-	(478)
TOTAL LIABILITIES		(21,481)	-	(21,481)	(14,548)	-	(14,548)
Net assets/(liabilities)		20,902	-	20,902	19,172	-	19,172
Shareholders' equity							
Share capital	16	4,441	-	4,441	4,441	-	4,441
Share premium		8,730	-	8,730	8,730	-	8,730
Retained earnings		7,731	-	7,731	6,001	-	6,001
Total equity attributable to equity holders of Parent Company		20,902	-	20,902	19,172	-	19,172

Notes to the financial statements (Continued)

3. Turnover

Turnover relates entirely to the rendering of services.

	2017	2016
By class of business	£000	£000
Track test and development	6,712	4,474
Laboratory testing and other facilities	40,372	33,965
	47,084	38,439

	2017	2016
By geographical market	£000	£000
United Kingdom	44,823	35,591
Europe	2,153	1,118
North America	47	1,052
Asia Pacific	38	662
Rest of World	23	16
	47,084	38,439

4. Operating profit

	2017	2016
Operating profit is stated after charging/(crediting):	£000	£000
Operating lease rentals receivable – land and buildings	(839)	(695)
Operating lease rentals payable		
- plant and machinery	623	447
- other	204	203
Depreciation of tangible fixed assets	1,963	1,375
Foreign Exchange profit	(94)	(66)
Research and Development	4	46
Fair value on derivatives instruments	-	(103)
Exceptional operating items	(1,033)	456

Auditor's remuneration		
- payable to the Company's auditor for the Company's annual accounts	43	30

In the current year exceptional operating items primarily relate to the acquisition of Leyland and reorganisation costs.

In the prior year exceptional operating items primarily relate to the cost of raising finance and reorganisation costs.

Notes to the financial statements (Continued)

5. Financial income and finance costs

	2017	2016
	£000	£000
Financing charges	-	(460)
Interest payable – Group Companies	(550)	(164)
Interest payable - external	(1)	(223)
	(551)	(847)

6. Employee numbers and costs

	2017	2016
	£000	£000
Average monthly number (including executive directors)		
Management and administration	52	50
Test and workshop personnel	475	325
	527	375

	2017	2016
	£000	£000
Costs (including executive directors)		
Wages and salaries	18,887	14,592
Social security costs	1,902	1,469
Pension costs – defined contribution scheme (note 16)	1,008	925
	21,797	16,986

7. Directors' emoluments

	2017	2016
	£000	£000
Emoluments	867	887
Pension Contributions	58	21
	925	908

	2017	2016
	£000	£000
Costs (including executive directors)		
Highest paid director's remuneration:		
Emoluments	328	433
	328	433

No directors are accruing benefits under a defined benefit scheme.

Notes to the financial statements (Continued)

8. Taxation

	2017	2016
	£000	£000
a) Tax charged in the profit and loss account		
Current tax:		
UK corporation tax	404	-
Current tax charge	404	-
Adjustments in respect of prior years	142	34
Total current tax charge	546	34
Deferred tax:		
Origination and reversal of timing differences	263	124
Effect of changes in tax rates	-	(5)
Adjustment in respect of previous periods	(276)	(18)
Total deferred tax (credit)/charge	(13)	101
Tax charge in the profit and loss account	533	135

b) Reconciliation of the total tax charge

The tax charge in the profit and loss account for the year is lower than (2016: lower 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	4,875	1,865
Corporation tax at standard rate of 19.25% (2016: 20.00%)	938	373
Non-taxable income and gains	(375)	-
Non-deductible expenditure	183	97
Group relief free of charge	(45)	(324)
Effect of changes in tax rates	-	(5)
Other current year items	(34)	(22)
Adjustments to prior year current and deferred tax charges	(134)	16
Total tax charge reported in the profit and loss account	533	135

Notes to the financial statements (Continued)

8. Taxation (Continued)

c) Change in corporation tax rate

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

d) Deferred tax

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

	2017	2016
	£000	£000
Deferred tax liability		
Temporary differences relating to tangible assets	184	201
	184	201
Deferred tax asset		
Temporary differences relating to other items	-	4
	-	4
Disclosed on the balance sheet		
Deferred tax liability	184	197
	184	197
	2017	2016
	£000	£000
Deferred tax in the profit and loss account		
Temporary differences relating to tangible assets	263	111
Other temporary differences	-	13
Changes in tax rates	-	(5)
Adjustments in respect of prior years	(276)	(18)
Deferred tax (credit)/charge to the profit and loss account	(13)	101

Notes to the financial statements (Continued)

9. Investments in subsidiary undertakings

The Company holds a £1 investment in Millbrook TDC Limited (a dormant company with a registered office at Millbrook Proving Ground, Millbrook, Bedford MK45 2JQ).

Millbrook TDC Limited was dissolved on 9th January 2018.

10. Property, plant and equipment

		Freehold land and buildings	Plant and machinery	Assets in the course of construction	Total
Cost	Note	£000	£000	£000	£000
At 1 January 2016		16,367	16,088	1,978	34,433
Additions		-	-	11,705	11,705
Transfers		1,447	2,917	(4,364)	-
Disposals		-	(80)	-	(80)
At 31 December 2016		17,814	18,925	9,319	46,058
Additions		2,102	5,294	14,138	21,534
Recognised on acquisitions		-	3,083	-	3,083
Transfers		-	-	-	-
Disposals		-	-	-	-
At 31 December 2017		19,916	27,302	23,457	70,675
Accumulated depreciation and impairment					
At 1 January 2016		7,501	11,756	-	19,257
Charge for year		566	809	-	1,375
Transfers		-	-	-	-
Disposals		-	(19)	-	(19)
At 31 December 2016		8,067	12,546	-	20,613
Charge for year		612	1,351	-	1,963
Recognised on acquisitions		-	-	-	-
Transfers		-	-	-	-
Disposals		-	-	-	-
At 31 December 2017		8,679	13,897	-	22,576
Carrying amount					
At 31 December 2017		11,237	13,405	23,457	48,099
At 31 December 2016		9,747	6,379	9,319	25,445

The Company had £2.0m of land that was not depreciated at 31 December 2017 (2016: £2.0m).

Notes to the financial statements (Continued)

11. Inventories

	2017	2016
	£000	£000
Amounts falling due within one year:		
Fuel	198	164
Parts	751	-
	949	164

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

Finished goods recognised as cost of sales in the year amounted to £90k (2016: £1,013k). The write down of stocks to net realisable value amounted to £nil (2016: £nil). The reversal of write downs amounted to £2k (2016: £74k).

12. Trade and other receivables

	2017	2016
	£000	£000
Current:		
Trade receivables	7,454	5,665
Amounts owed by fellow group undertakings	-	4,529
R&D tax debtor	790	575
Prepayments	988	923
Accrued income	3,073	2,578
	12,305	14,270

Notes to the financial statements (Continued)

13. Trade and other payables

	2017	2016
	£000	£000
Current:		
Trade payables	2,258	3,482
Amounts owed to fellow group undertakings	15,305	2,297
Current tax liability	404	-
Social Security	(235)	692
Accruals	6,987	2,996
Deferred income	4,477	2,918
	29,196	12,385

Included within amounts owed to fellow group undertakings are amounts repayable on demand of £15.3 million (2016 : £2.3 million). Interest is charged at the 3 month libor rate plus 2%.

	2017	2016
	£000	£000
Non-Current:		
Amounts owed to fellow group undertakings	8,426	8,426
	8,426	8,426

Included within amounts owed to fellow group undertakings are amounts repayable within 5 years of £8.4 million (2016 : £8.4 million). Interest is charged at 5%.

14. Provisions

	Warranty provisions	Total provisions
	£000	£000
Current:		
Cost		
At 1 January 2016	473	473
Additional provision in year	-	-
Acquired on acquisition	-	-
Utilised during the year	(78)	(78)
Released during the year	-	-
At 31 December 2017	395	395

Provisions are all presented as current liabilities.

Warranty is given on vehicle modifications for a period of up to 3 years.

Notes to the financial statements (Continued)

15. Pensions

The Company operates a defined contribution pension scheme. The scheme and its assets are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1.0 million for the year (2016: £0.9 million). There were no contributions payable to the fund and included in creditors at the year-end (2016: nil).

16. Share Capital and reserves

	2017	2016
	£000	£000
Called up, allotted and fully paid:		
4,440,752 (2016: 4,440,752) ordinary shares of £1 each	4,441	4,441

Movements in reserves are set out in the Consolidated Statement of Changes in Equity.

17. Acquisitions

On 1st July 2017, the Company acquired for nil consideration the Leyland Technical Facility assets of CSA Group Testing UK Limited, a company based in the UK.

The acquisition complements the Company's existing proving ground and testing capabilities.

The fair value of assets acquired has resulted in an exceptional credit to the current year Income Statement : -

	2017	2016
	£000	£000
Fair value of assets acquired	1,948	-
Acquisition costs	(240)	-
	1,708	-

Notes to the financial statements (Continued)

18. Operating lease arrangements – payable

	2017	2017	2016	2016
	Property	Plant and machinery	Property	Plant and machinery
<i>Total commitments under non-cancellable operating leases expiring:</i>				
	£000	£000	£000	£000
Within one year	392	277	-	291
More than one year but less than five years	1,080	46	-	484
Greater than five years	5,401	-	-	-
	6,873	323	-	775

19. Operating lease arrangements – receivable

	2017	2016
	Property	Property
<i>Total commitments under non-cancellable operating leases expiring:</i>		
	£000	£000
Within one year	766	656
More than one year but less than five years	1,027	1,678
Greater than five years	-	-
	1,793	2,334

20. Capital commitments

	2017	2016
	£000	£000
Contracts for capital expenditure not provided	11,229	8,090
	11,229	8,090

Notes to the financial statements (Continued)

21. Related party transactions

Directors' transactions:

During the year, the Company entered into a transaction with Vicki James' Design worth £15,000. Vicki is the spouse of one of the directors.

22. Ultimate holding company

The Company's ultimate holding company is Spectris plc, which is incorporated in the United Kingdom. The consolidated accounts of this company are available to the public and may be obtained from:

Spectris plc
Heritage House
Church Road
Egham
Surrey
TW20 9QD

23. Post Balance Sheet Events

The Company holds a £1 investment in Millbrook TDC Limited (a dormant company with a registered office at Millbrook Proving Ground, Millbrook, Bedford MK45 2JQ). The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. Millbrook TDC Limited was dissolved on 9th January 2018.

On 25 January 2018, the Company entered into an agreement to transfer certain trade and assets relating to its Special Vehicles activities to another Group Company, Millbrook Special Vehicles Limited, for consideration of £6,361,471.