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Micromass UK Limited

Directors' report and financial statements
for the year ended 31 December 2012

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Micromass UK Limited

Directors' report and financial statements for the year ended 31 December 2012

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Micromass UK Limited

Directors and advisors

Directors

J Batt (resigned 1 May 2013)
J Ornell
A A Schoon
T V Shortt
B W Smith

Company secretary

J Ornell

Registered office

Floats Road
Wythenshawe
Manchester
M23 9LZ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Bankers

Barclays Bank Plc
51 Mosley Street
Manchester
M60 2AU

Registered number

3162904

Micromass UK Limited

Directors' report for the year ended 31 December 2012

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2012

Principal activities

The principal activity of the company is the design, manufacture and sale of mass spectrometers

Review of business and future developments

The results of the business are set out on page 7 of the financial statements. The directors consider the results for the year and the year end financial position to be satisfactory.

Turnover was lower than in the previous year due partly to market conditions, but was also affected by the timing and mix of new product releases. Materials costs reduced broadly in line with the lower turnover, but gross margin overall decreased by around 4% impacted by increased spending on external consultancy. Administrative expenses were similar to the prior year with adverse foreign exchange movements offset by savings elsewhere.

The directors' plans to expand the business continue to focus on the development of new and replacement products in the field of mass spectrometry. The company has a strong in-house research and development team and is also extending collaborations with parties engaged in research and development.

Financial risk management

The company's operations expose it to some financial risks that include the effects of movement in exchange rates, liquidity risk and interest rate risk.

Exchange rate risk

The key foreign exchange risk relates to inter-company sales and then settlement of these balances. The risk is managed centrally by the ultimate parent company using a variety of derivative and non-derivative financial instruments to reduce the group's net exposure to currency fluctuations.

Liquidity risk and interest rate risk

The company operates a group pooling arrangement with other companies in the Waters group to ensure that sufficient funds are available for operations and planned expenditure. The company's cash balances are monitored on a weekly basis both locally and by the group treasury function within the parent company. The company's cash is held on deposit with a number of different banks, and with a maximum maturity of 90 days, and as such is not subject to significant interest rate risk.

Key performance indicators (KPIs)

The directors use KPIs as necessary for an understanding of the development, performance and position of the business.

Results and dividends

An interim dividend of £12,000,000 (2011 - £Nil) was paid in April 2012. The directors are not recommending the payment of a final dividend.

The profit for the year of £6,649,000 (2011 - £13,055,000) will be transferred to reserves.

Subsequent events

On 7th August 2013 the company acquired the entire share capital of Nonlinear Dynamics Limited for a cash consideration of £14,750,000 plus associated professional fees. Nonlinear Dynamics Ltd is a world leader in proteomics and metabolomics analysis software, based in Newcastle upon Tyne, U K.

Micromass UK Limited

Directors' report for the year ended 31 December 2012 continued

Directors

The directors who held office during the year and up to the date of signing of the financial statements are as listed on page 1

Directors' indemnity insurance is provided by Waters Corporation, the ultimate parent company

Research and development

The company is committed to research and development activities in order to secure its position in the mass spectrometer market place. During the year, the company spent £16,838,000 (2011 – £15,634,000) improving product quality and developing new products

Employee involvement

The company maintains a policy of providing employees with information on matters of concern aimed at achieving a common awareness of the financial and economic factors affecting the performance of the company. Regular team briefings provide a forum for communication so that views can be taken into account in making decisions, which are likely to affect the interests of employees. Company wide communications meetings also take place during the year

Employment of disabled persons

The company ensures that there is full and fair consideration of any disabled applicant for employment. The company endeavours to retain any existing employee who may become disabled, providing specialised training where appropriate. If modified or additional facilities are needed for a disabled employee, all reasonable steps are taken to provide them

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Micromass UK Limited

Directors' report for the year ended 31 December 2012 continued

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

On behalf of the Board



B W Smith

Director

27 September 2013

Micromass UK Limited

Independent auditors' report to the members of Micromass UK Limited

We have audited the financial statements of Micromass UK Limited for the year ended 31 December 2012 which comprise the Profit and loss account, the Balance sheet, the Accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Micromass UK Limited

Independent auditors' report to the members of Micromass UK Limited continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Nicholas Gower (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
27 September 2013

Micromass UK Limited

Profit and loss account for the year ended 31 December 2012

Continuing operations	Note	2012 £000	2011 £000
Turnover	1	111,886	129,217
Cost of sales		(85,020)	(92,872)
Gross profit		26,866	36,345
Distribution costs		(7,598)	(8,327)
Administrative expenses		(11,318)	(11,149)
Operating profit		7,950	16,869
Interest receivable and similar income	4	601	683
Interest payable and similar charges	5	(17)	(52)
Profit on ordinary activities before taxation	6	8,534	17,500
Tax on profit on ordinary activities	7	(1,885)	(4,445)
Profit for the financial year	15	6,649	13,055

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and the historical cost equivalents

There were no recognised gains and losses other than the profit stated above therefore no separate statement of recognised gains and losses has been prepared

Micromass UK Limited

Balance sheet as at 31 December 2012

	Note	2012 £000	2011 £000
Fixed assets			
Intangible assets	8	2,347	3,028
Tangible assets	9	15,526	12,562
		17,873	15,590
Current assets			
Stocks	10	18,737	17,239
Debtors	11	59,820	70,433
Cash at bank and in hand		56,636	56,271
		135,193	143,943
Creditors: amounts falling due within one year	12	(39,449)	(39,743)
Net current assets		95,744	104,200
Total assets less current liabilities		113,617	119,790
Provisions for liabilities	13	(3,218)	(3,385)
Net assets		110,399	116,405
Capital and reserves			
Called up share capital	14	28,321	28,321
Profit and loss account	15	82,078	88,084
Total shareholders' funds	17	110,399	116,405

The financial statements on pages 6 to 21 were approved by the board of directors on 27 September 2013 and were signed on its behalf by



A A Schoon
Director
Micromass UK Limited
Company registration number 3162904

Micromass UK Limited

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, on the going concern basis, and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. A summary of the more important accounting policies, which have been applied consistently with the prior years, is set out below.

Cash flow statement

In accordance with FRS1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary of a group which prepares a consolidated cash flow statement which is publicly available.

Foreign currencies

Transactions in foreign currencies are recorded at standard exchange rates and retranslated at actual exchange rates on a monthly basis. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Intangibles and goodwill

Goodwill arising on acquisition (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and shown as an intangible asset on the balance sheet. This asset is then depreciated over its expected useful life to the business, which has been estimated at 20 years.

Where the company acquires a technology license, the cost of the license is capitalised and shown as an intangible asset on the balance sheet. Capitalised license costs are amortised over the period set out in the license.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, by equal instalments over the expected useful economic lives of the assets concerned, as follows:

Leasehold land and buildings	7 – 10 years
Plant and machinery	10 years
Fixtures and fittings	3 – 8 years

The cost of leasehold improvements includes the present value of the estimate of asset reinstatement costs where there is a legal or constructive obligation to do so.

Instruments which are held for demonstration purposes are capitalised within tangible fixed assets and depreciated at the rate of 25% per annum. On any subsequent sale they are transferred into cost of sales at their net book value.

Assets in the course of construction are carried at cost. Depreciation commences when the assets are ready for their intended use.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Micromass UK Limited

Accounting policies continued

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. Revenue from instrument, spares and accessories sales is recognised when the risks and rewards are transferred to the customer which is on despatch of goods. Revenue from group technical support services is recognised when the service has been performed.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not there will be suitable profits from which the future reversal of the timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Pension costs

The company operates a defined contribution pension scheme providing benefits based on employee and employer contributions made to the schemes. The assets of the schemes are held separately from those of the company in an independently administered fund. Contributions to the schemes are charged to the profit and loss account as they fall due for payment.

Research and development expenditure

Expenditure on research and development is expensed to the profit and loss account in the year in which it is incurred.

Operating leases

Operating lease rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Share based payments

The company participates in a number of equity-settled, share-based compensation plans operated by its parent company, Waters Corporation. The fair value of the employee services received in exchange for the grant of the options or shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted at the date of the grant, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to vest. At each balance sheet date, the company revises its estimates of the number of options or shares that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to reserves.

Fair value of options is measured using the Black Scholes model.

Micromass UK Limited

Notes to the financial statements for the year ended 31 December 2012

1 Turnover

No analysis of turnover by geographical market has been presented as the directors consider this is prejudicial to the interests of the company. All turnover and profit before taxation arises from the manufacture and sale of mass spectrometry instruments, accessories and spares, and from the provision of technical support services to other group companies.

2 Directors' remuneration

The remuneration paid to the directors of Micromass UK Limited for their services to the company was

	2012 £000	2011 £000
Aggregate emoluments and benefits	603	571
Share based payments	81	80
Company pension contributions to money purchase scheme	21	20
	705	671

Retirement benefits are accruing to 2 directors (2011 – 2)

Highest paid director	2012 £000	2011 £000
Aggregate emoluments and benefits	345	332
Share based payments	–	–
Company pension contributions to money purchase scheme	–	–
	345	332

Three of the directors exercised options on shares in the ultimate parent company, Waters Corporation, during the year.

3 Employee information

The monthly average number of persons (including directors) employed by the company during the year was

	2012 Number	2011 Number
Production and engineering	402	396
Sales and marketing	71	75
Administration and finance	35	35
	508	506

Micromass UK Limited

Notes to the financial statements continued

3 Employee information continued

Staff costs	2012 £000	2011 £000
Wages and salaries	20,284	19,990
Social security costs	2,389	2,419
Other pension costs (note 21)	1,419	1,278
Share based payments (note 22)	950	952
	25,042	24,639

4 Interest receivable and similar income

	2012 £000	2011 £000
Bank interest	341	332
Interest receivable from group undertakings	260	351
	601	683

5 Interest payable and similar charges

	2012 £000	2011 £000
Interest payable to group undertakings	17	52

6 Profit on ordinary activities before taxation

	2012 £000	2011 £000
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation on owned tangible fixed assets	4,750	4,776
Services provided by the company's auditors		
– fees payable for the audit	107	105
– fees payable for taxation services	102	102
Amortisation of licenses	101	179
Amortisation of goodwill	600	600
Operating lease rentals – other	1,182	1,213
Gain on disposal of tangible fixed assets	(280)	(10)
Exchange loss	1,439	739
Research and development expenditure	16,838	15,634

Micromass UK Limited

Notes to the financial statements continued

7 Tax on profit on ordinary activities

(a) Analysis of charge for the year

	2012 £000	2011 £000
Current tax.		
United Kingdom corporation tax on the profit for the year on ordinary activities	2,256	4,794
Adjustments in respect of prior years	(366)	(372)
	1,890	4,422
Deferred tax.		
Origination and reversal of timing differences	398	732
Adjustments in respect of prior years	(403)	(709)
	(5)	23
Tax on profit on ordinary activities	1,885	4,445

(b) Factors affecting the tax charge for the year

The current rate for the year differs from the standard rate of corporation tax in the UK. The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	8,534	17,500
Tax on ordinary activities at the standard rate of corporation tax – 24.5% (2011 – 26.5%)	2,091	4,638
Expenses not deductible for tax purposes	154	179
Accelerated capital allowances and other timing differences	172	244
Stock option charges	(161)	(267)
Adjustments in respect of prior years	(366)	(372)
Current tax charge for the year	1,890	4,422

From 1 April 2011 the main rate of corporation tax was reduced from 28% to 26% with further annual one percent cuts enacted reducing the rate to 23% effective 1 April 2014.

The Finance Act 2012 enacted additional cuts in the rate resulting in a main rate of corporation tax effective 1 April 2012 of 24% followed by two further annual one percent cuts to 22% effective 1 April 2014.

Included in the Finance Act 2013 are two further annual one percent reductions in the rate effective 1 April 2014 and 1 April 2015.

Micromass UK Limited

Notes to the financial statements continued

8 Intangible fixed assets

	License Agreements £000	Goodwill £000	Total £000
Cost			
At 1 January 2012	1,639	12,144	13,783
Additions	20	–	20
At 31 December 2012	1,659	12,144	13,803
Accumulated amortisation			
At 1 January 2012	1,300	9,455	10,755
Charge for the year	101	600	701
At 31 December 2012	1,401	10,055	11,456
Net book values			
At 31 December 2012	258	2,089	2,347
At 31 December 2011	339	2,689	3,028

Micromass UK Limited

Notes to the financial statements continued

9 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Demon- stration machinery £000	Assets in course of construction £000	Total £000
Cost						
At 1 January 2012	7,464	3,942	4,103	15,259	318	31,086
Additions	57	696	713	5,531	2,077	9,074
Disposals	–	(75)	(954)	(3,156)	–	(4,185)
At 31 December 2012	7,521	4,563	3,862	17,634	2,395	35,975
Accumulated depreciation						
At 1 January 2012	5,417	2,003	2,848	8,256	–	18,524
Charge for the year	920	530	530	2,770	–	4,750
Disposals	–	(56)	(954)	(1,815)	–	(2,825)
At 31 December 2012	6,337	2,477	2,424	9,211	–	20,449
Net book values						
At 31 December 2012	1,184	2,086	1,438	8,423	2,395	15,526
At 31 December 2011	2,047	1,939	1,255	7,003	318	12,562
Land and buildings					2012 £000	2011 £000
At cost:						
Long leasehold					1,359	1,331
Short leasehold					6,162	6,133
					7,521	7,464
Accumulated depreciation						
Long leasehold					959	911
Short leasehold					5,378	4,506
					6,337	5,417

Micromass UK Limited

Notes to the financial statements continued

10 Stocks

	2012 £000	2011 £000
Raw materials and consumables	5,730	6,974
Work in progress	4,406	3,212
Finished goods and goods for resale	8,601	7,053
	18,737	17,239

11 Debtors

	2012 £000	2011 £000
Amounts falling due within one year:		
Trade debtors	35	241
Amounts owed by group undertakings	56,058	53,532
Other debtors	1,479	885
Prepayments and accrued income	1,142	724
Deferred tax	1,106	1,101
	59,820	56,483

Amounts falling due after more than one year

Amounts owed by group undertakings	–	13,950
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Total debtors	59,820	70,433
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Amounts owed by group undertakings and falling due within one year are unsecured, interest free and repayable on demand

The prior year amount owed by group undertakings and falling due after one year relates to a five year loan facility expiring on 1 January 2013. Interest is payable quarterly in arrears at a rate of 1% above 3 month LIBOR.

Analysis of deferred tax balance

	Accelerated capital allowances £000
At 1 January 2012	1,101
Profit and loss account	5
At 31 December 2012	1,106

Micromass UK Limited

Notes to the financial statements continued

12 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	6,513	7,251
Amounts owed to group undertakings	22,707	23,811
Taxation and social security	638	568
UK corporation tax	5,254	5,141
Other creditors	66	53
Accruals and deferred income	4,271	2,919
	39,449	39,743

Amounts owed to group undertakings are unsecured, and are interest free with the exception of an amount of £2,667,000 (2011 – £2,667,000) which attracts interest at a variable rate based on business deposit rates published by Barclays Bank PLC. The applicable rate at the balance sheet date was 0.4%.

13 Provisions for liabilities

	Provision for leasehold dilapidations	Warranty and related provisions	Total £000
At 1 January 2012	2,559	826	3,385
Profit and loss account	43	1,270	1,313
Utilised in the year	–	(1,480)	(1,480)
At 31 December 2012	2,602	616	3,218

The provision for leasehold dilapidations represents recognition of the obligation to carry out any work necessary to return leasehold property to its original state at the end of the lease. This has been capitalised within tangible fixed assets and is being depreciated over the remaining life of the leases. The directors do not expect the provision to be utilised within the twelve month period from the balance sheet date.

Warranty and related provisions are in respect of obligations to meet the costs of warranties given on the instruments and spares sold by the company. Warranty provisions are generally expected to be utilised or released after a period of one year from the date the provision was created.

Micromass UK Limited

Notes to the financial statements continued

14 Called up share capital

	2012 £000	2011 £000
Allotted, and fully paid		
At 1 January and 31 December	28,321	28,321

15 Profit and loss account

	£000
At 1 January 2012	88,084
Profit for the financial year	6,649
Dividends paid (note 16)	(12,000)
Share based payments (note 22)	(655)
At 31 December 2012	82,078

16 Dividends

Amounts recognised as distributions to equity holders in the year

	2012 £000	2011 £000
Equity – ordinary		
Interim paid 42 37p (2011 – £Nil) per £1 share	12,000	–

The directors are not proposing payment of a final dividend

17 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Profit for the financial year	6,649	13,055
Dividends paid	(12,000)	–
Share based payments	(655)	(1,008)
Net (decrease) / increase in shareholders' funds	(6,006)	12,047
Opening shareholders' funds	116,405	104,358
Closing shareholders' funds	110,399	116,405

Micromass UK Limited

Notes to the financial statements continued

18 Financial commitments

The company had annual commitments under non-cancellable operating leases as follows

At 31 December 2012	Land and buildings £000	Other £000	Total £000
Operating leases which expire			
In less than one year	–	4	4
In between one and five years inclusive	1,179	40	1,219
	1,179	44	1,223

At 31 December 2011	Land and buildings £000	Other £000	Total £000
Operating leases which expire			
In less than one year	–	11	11
In between one and five years inclusive	374	39	413
In over five years	761	–	761
	1,135	50	1,185

19 Capital commitments

Capital commitments at the end of the financial year for which no provision has been made

	2012 £000	2011 £000
Contracted for but not provided for in the financial statements	18,116	510

Included in the current year capital commitments is an amount of £17,543,000 relating to the fit out costs of the company's new headquarters building currently under construction

20 Contingent liabilities

Guarantees

The company has issued on its behalf, during the normal course of trading, bank guarantees in respect of advance payments, performance bonds and warranties. The value of outstanding bank guarantees at 31 December 2012 was £1,284,404 (2011 – £1,418,000)

21 Pension commitments

The company has established and operates a money purchase pension scheme with defined contribution levels covering the majority of its employees, including directors. Contributions to this scheme are independently administered by an insurance company.

The pension cost charge represents contributions payable by the group to the schemes and amounts to £1,419,000 (2011 – £1,278,000). Outstanding contributions payable to the scheme at the end of the year amounted to £Nil (2011 – £Nil).

Micromass UK Limited

Notes to the financial statements continued

22 Share based payments

Under various schemes operated by the ultimate parent company Waters Corporation, share options and Restricted Stock Units (RSUs) are granted on a discretionary basis to directors and selected employees. These grants of options and RSUs are accounted for under FRS20 – Share Based Payments.

Options and RSUs are conditional on the employee completing a specified period of service and generally vest in equal proportions over a five year period. The exercise price for stock options may not be less than the fair market value of the underlying stock at the date of grant and options generally will expire no later than 10 years after the date on which they are granted. The Waters Corporation group has no legal or constructive obligation to repurchase or settle the options and RSUs in cash.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model, the relevant data used to determine this value is as follows:

Grant date	Grant price £	FMV of stock on grant date £	Risk free interest rate	Expected life in years	Expected volatility	Expected dividends	Fair value per option £
30/12/2002	13.12	13.12	3.3%	7.5	56%	–	8.02
11/12/2003	19.00	19.00	4.1%	7.5	54%	–	11.76
08/12/2004	24.21	24.21	3.8%	5.5	55%	–	12.99

The expected volatility is based on historic volatility over the last 3 years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero coupon government bonds of a term consistent with the assumed option life.

A summary of the movements in the number of share options and RSUs outstanding and their related weighted average exercise prices is given below:

Share options	2012 Number	Weighted average exercise price £	2011 Number	Weighted average exercise price £
Outstanding at 1 January	27,500	27.33	40,100	29.11
Forfeited	–	–	–	–
Exercised	(6,420)	26.27	(12,600)	26.41
Outstanding at 31 December	21,080	28.49	27,500	27.33

Micromass UK Limited

Notes to the financial statements continued

22 Share based payments continued

Restricted stock units	2012 Number	Weighted average fair value £	2011 Number	Weighted average fair value £
Outstanding at 1 January	76,589	35.72	86,557	33.29
Granted	17,280	55.95	19,323	49.13
Forfeited	(912)	55.16	—	—
Vested	(26,264)	56.50	(29,291)	51.21
Outstanding at 31 December	66,693	42.00	76,589	35.72

The total charge for the year relating to employee share based payment plans was £950,000 (2011 – £952,000) all of which related to equity settled share based payment transactions

The amount of the inter-company charge from Waters Corporation in respect of share based payments awarded to Micromass employees was £1,605,000 (2011 – £1,960,000), the difference between this amount and the charge calculated in accordance with FRS20 is shown as a movement in distributable reserves (Note 15 above)

23 Subsequent events

On 7th August 2013 the company acquired the entire share capital of Nonlinear Dynamics Limited for a cash consideration of £14,750,000 plus associated professional fees. Nonlinear Dynamics Ltd is a world leader in proteomics and metabolomics analysis software, based in Newcastle upon Tyne, U.K.

24 Related party transactions

The company has taken advantage of the exemption in FRS8 'Related Party Disclosures', from disclosing transactions with group companies as it is a wholly owned subsidiary and its results are included in the consolidated accounts of another group company which are publicly available. There were no other related party transactions.

25 Parent company

The immediate parent company is Micromass Limited, a company incorporated in the United Kingdom.

The ultimate holding company and controlling party of Micromass UK Limited is Waters Corporation, a company incorporated in the United States of America. Copies of the consolidated financial statements prepared by Waters Corporation which include the results of Micromass UK Limited can be obtained from the registered office, 34 Maple Street, Milford, MA 01757, USA. Waters Corporation is both the smallest and largest entity to consolidate the company's financial statements.