

# **Tracerco Limited**

## **Directors' Report and Accounts**

**For the year ended 31 March 2013**

Registered number 4496566



# Tracerco Limited

## Contents

Directors' report	1
Independent auditor's report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Accounting policies	7
Notes to the accounts	9

# Tracerco Limited

## Directors' report

The directors present their report and audited accounts for the year ended 31 March 2013

### Principal activity

The company is an industrial technology company providing specialised detection, diagnostic and measurement solutions for the oil and gas industries

### Performance during and position at the end of the year and future developments

Business performance was strong across all product lines during the year. Instrumentation sales were particularly healthy following significant investment from the oil and gas majors whilst regional performance strengthened, mainly in the Middle East, as our local market presence becomes more pronounced. The fall in operating profit during the year has been driven by a change in product mix. During the year, the business has invested further in people and R&D which is expected to deliver positive returns in the next 2-3 years.

At the end of the year the business had net assets of £40,174,000 (2012 £37,975,000) excluding funding from its parent company of £380,000 (2012 £2,887,000) (note 23). As a result, the return on assets (operating profit adjusted for amortisation over average net assets excluding parent company borrowings) was 4.1% (2012 7.5%).

### Principal risks and uncertainties

Business activity varies with the price of the oil. If oil prices fall, or the global recession continues, this could have a significant effect on income streams.

The business operates globally. Changes in legislation and political conditions around the world can impact the business due to the nature of the work carried out and the various countries in which the business operates.

### Results and dividends

The company's profit for the year ended 31 March 2013 is £554,000 (2012 profit of £1,180,000). The profit and loss account is set out on page 4.

The directors recommend payment of a final ordinary dividend of £554,000 for the year ended 31 March 2013 which will be paid during the year ending 31 March 2014 (2012 £862,000).

### Donations

The company contributed £5,000 (2012 £2,000) to charitable organisations, of which £5,000 (2012 £2,000) was in the UK. No political contributions were made (2012 £ nil).

### Directors

The directors who served during the year were S Farrant, A C Hurst, R J MacLeod, G P Otterman, M Pemberton, S P Robinson and S Slattery.

### Directors' indemnity

Under a Deed Poll dated 20 July 2005 the ultimate parent company has granted indemnities in favour of each director of its subsidiaries in respect of any liability that he or she may incur to a third party in relation to the affairs of any group member. Such indemnities were in force during the year ended 31 March 2013 for the benefit of all persons who were directors of the subsidiaries at any time during the year ended 31 March 2013 and remain in force for the benefit of all persons who are directors of the subsidiaries at the date when this report was approved.

### Policy on payment of commercial debts

Johnson Matthey's group policy in relation to the payment of suppliers (set out in the Group Control Manual, which is distributed to all group operations) is that payment should be made within the credit terms agreed with the supplier, subject to the supplier having performed its obligations under the relevant contract. At 31 March 2013 the company's level of creditor days was 37 days (2012 53 days), calculated by reference to amounts outstanding as trade creditors at the end of the year and amounts invoiced by suppliers during the year.

# Tracerco Limited

## Directors' report

### Disclosure of information to auditor

So far as each person currently serving as a director of the company at the date this report is approved is aware, there is no relevant audit information of which the company's auditor is unaware and each director hereby confirms that he 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 auditor is aware of that information

### Responsibility of the directors for preparation of the directors' report and the accounts

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

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with UK Accounting Standards and applicable law. Under company law the directors must not approve the accounts 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 accounts, the directors are required to

- select suitable accounting policies and 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 accounts, and
- prepare the accounts 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 accounts 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

By order of the board



**R J MacLeod**

*Director*

6 August 2013

# **Independent auditor's report to the members of Tracerco Limited**

We have audited the accounts of Tracerco Limited for the year ended 31 March 2013 on pages 4 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

## **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement on page 2, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the accounts**

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **Opinion on accounts**

In our opinion the accounts

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

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

## **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 accounts 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.



**Nick Plumb (Senior Statutory Auditor)**

**for and on behalf of KPMG Audit Plc, Statutory Auditor**

Chartered Accountants

Quayside House 110 Quayside

Newcastle upon Tyne

NE1 3DX

6 August 2013

# Tracerco Limited

## Profit and loss account

For the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
<b>Turnover</b>	1	35,035	30,619
Cost of sales		(24,622)	(20,125)
<b>Gross profit</b>		10,413	10,494
Selling and distribution costs		(6,643)	(6,428)
Research and development costs		(820)	(781)
Administrative expenses		(2,444)	(1,580)
<b>Operating profit</b>		506	1,705
Interest receivable from / (payable to) ultimate parent company		64	(40)
<b>Profit on ordinary activities before taxation</b>	2	570	1,665
Taxation	7	(16)	(485)
<b>Profit for the year</b>	16	554	1,180

There were no other recognised gains or losses during the year

The accompanying notes are an integral part of the accounts

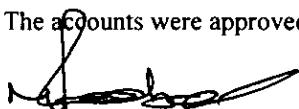
# Tracerco Limited

## Balance sheet

As at 31 March 2013

	Notes	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Tangible fixed assets	8	5,008	4,521
Goodwill	9	17,467	18,548
		<u>22,475</u>	<u>23,069</u>
<b>Current assets</b>			
Stocks	10	3,255	2,209
Debtors	11	57,540	35,717
Cash at bank and in hand		3,824	274
		<u>64,619</u>	<u>38,200</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(46,540)</u>	<u>(20,407)</u>
<b>Net current assets</b>		<u>18,079</u>	<u>17,793</u>
<b>Net assets</b>		<u><u>40,554</u></u>	<u><u>40,862</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	40,000	40,000
Profit and loss account	15	554	862
<b>Shareholders' funds</b>		<u><u>40,554</u></u>	<u><u>40,862</u></u>

The accounts were approved by the board on 6 August 2013 and signed on its behalf by



**M Pemberton**  
Director

Company registration number 4496566

The accompanying notes are an integral part of the accounts

# Tracerco Limited

## Cash flow statement

For the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
<b>Reconciliation of operating profit to net cash outflow from operating activities</b>			
Operating profit		506	1,705
Depreciation		1,148	969
Loss on disposal of fixed assets		2	-
Amortisation of goodwill		1,081	1,081
Increase in stocks		(1,046)	(850)
Increase in debtors		(3,345)	(2,850)
Increase in creditors		991	954
<b>Net cash (outflow) / inflow from operating activities</b>		<b>(663)</b>	<b>1,009</b>

## Cash flow statement

<b>Net cash (outflow) / inflow from operating activities</b>		<b>(663)</b>	<b>1,009</b>
<b>Returns on investments and servicing of finance</b>	20	<b>64</b>	<b>(40)</b>
<b>Taxation</b>		<b>(341)</b>	<b>(217)</b>
<b>Capital expenditure and financial investment</b>	20	<b>(1,637)</b>	<b>(1,389)</b>
<b>Equity dividends paid</b>		<b>(862)</b>	<b>-</b>
<b>Net cash outflow before use of liquid resources and financing</b>		<b>(3,439)</b>	<b>(637)</b>
<b>Financing</b>	20	<b>6,057</b>	<b>(516)</b>
<b>Increase / (decrease) in cash in the year</b>	21	<b>2,618</b>	<b>(1,153)</b>

<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase / (decrease) in cash in the year	21	<b>2,618</b>	<b>(1,153)</b>
Cash (outflow) / inflow from movement in borrowings	21	<b>(6,057)</b>	<b>40,516</b>
Change in net debt resulting from cash flows		<b>(3,439)</b>	<b>39,363</b>
Net funds / (debt) at the start of year		<b>2,887</b>	<b>(36,476)</b>
<b>Net (debt) / funds at end of year</b>		<b>(552)</b>	<b>2,887</b>

The accompanying notes are an integral part of the accounts



# **Tracerco Limited**

## **Accounting policies**

**For the year ended 31 March 2013**

### **Accounting convention**

The accounts are prepared in accordance with applicable accounting standards under the historical cost convention

### **Turnover**

Turnover comprises all sales of goods and services at the fair value of the right to consideration exclusive of discounts and sales taxes. Turnover is recognised when the goods are despatched or made available to the customer or by reference to the stage of completion of the service being rendered.

### **Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion. This is measured by the proportion that contract costs incurred to date bear to the estimated total contract costs.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

### **Research and development expenditure**

Expenditure is charged to the profit and loss account in the year in which it is incurred.

### **Goodwill**

Goodwill arising on acquisitions is capitalised and amortised on a straight line basis over the estimated useful economic life, which is considered to be 20 years.

### **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies are translated at rates prevailing at the balance sheet date or, if appropriate, at the forward contract rate.

### **Leases**

Rentals under operating leases are expensed as incurred.

### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each tangible asset on a straight line basis over its estimated useful life. The estimated useful lives vary according to the class of asset but are typically 30 years (or the life of the lease if shorter) for leasehold improvements, 5 to 10 years for plant and machinery and 3 to 10 years for fixtures, fittings and equipment.

# **Tracerco Limited**

## **Accounting policies**

**For the year ended 31 March 2013**

### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Provision is made for obsolete, slow-moving or defective items.

### **Derivatives**

Gains and losses arising from forward currency contracts used to reduce exchange rate exposure are recognised when the relevant sale or purchase is recorded in the profit and loss account.

### **Taxation**

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date and which could give rise to an obligation to pay more or less tax in the future.

### **Share-based payments**

The fair value of outstanding shares allocated to employees under the ultimate parent company long term incentive plan is calculated by adjusting the share price on the date of allocation for the present value of the expected dividends that will not be received. The resulting cost is charged to the profit and loss account over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting where appropriate.

### **Pensions**

The company operates a defined contribution scheme and is included in the ultimate parent company's defined benefit scheme. The cost of the company's contributions to these schemes is charged to the profit and loss account as incurred.

### **Net debt**

The net position on intercompany loans is treated as net debt for the purposes of the cash flow statement on the grounds that the balances arise from funding.

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2013

<b>1. Segmental information</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<u>Turnover</u>		
United Kingdom	9,706	9,758
Continental Europe	10,760	6,925
Asia and the Middle East	7,515	4,655
Central and South America	2,008	3,094
Rest of World	5,046	6,187
	<b>35,035</b>	<b>30,619</b>
<b>2. Profit on ordinary activities before taxation</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation is arrived after charging		
Depreciation of tangible fixed assets - owned	1,148	969
Loss on disposal of tangible fixed assets	2	-
Amortisation of goodwill	1,081	1,081
Fees payable to the company's auditor for the audit of the annual accounts	30	31
Fees payable to the company's auditor and its associates for other services		
- tax services	-	13
Operating lease rentals - land and buildings	350	318
<b>3 Employee costs and numbers</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate remuneration comprised		
Wages and salaries	8,272	7,530
Social security costs	697	705
Pensions costs (note 22)	1,319	1,094
Share-based payments (note 19)	266	334
	<b>10,554</b>	<b>9,663</b>
	<b>2013</b>	<b>2012</b>
	<b>Number</b>	<b>Number</b>
Average monthly number of employees		
Production	86	79
Sales and distribution	13	11
Research and development	39	35
Administration	23	22
	<b>161</b>	<b>147</b>

The employee numbers and costs above include all employees who work for and are paid by the company, including certain employees whose contracts of service are with the ultimate parent company (note 23)

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2013

### 4. Directors' remuneration

S Farrant, R J MacLeod, G P Otterman, S P Robinson and S Slattery were remunerated by the ultimate parent company (note 23). No remuneration (2012 £ nil) was paid to these directors in respect of services to the company. The remaining directors were remunerated by the company and their remuneration was as follows:

	2013 £'000	2012 £'000
Aggregate amounts of emoluments of directors (including the estimated money value of benefits in kind) in respect of managing the affairs of the company	258	81
Company contributions to defined benefit pension scheme	35	12
Number of directors who were members of the defined benefit pension scheme	<u>2</u>	<u>2</u>

The highest paid director was paid emoluments of £165,000. Company contributions to his defined benefit pension scheme were £21,000 and he had accrued pension entitlements under the defined benefit pension scheme of £55,000 per annum.

During the year one of the directors (2012 one) exercised share options in the ultimate parent company and seven of the directors (2012 eight) received shares under the ultimate parent company long term incentive plan.

### 5. Dividends

	2013 £'000	2012 £'000
2011/12 Final ordinary dividend	<u>862</u>	<u>-</u>

The directors recommend the payment of a final ordinary dividend of £554,000 for the year ended 31 March 2013 which will be paid during the year ending 31 March 2014.

### 6. Derivatives not included at fair value

The company uses derivatives to hedge its exposures to changes in foreign currency exchange rates. At the end of the year the company had derivatives not included in the accounts with a fair value of a liability of £166,000 (2012 an asset of £79,000).

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2013

### 7 Taxation

Analysis of tax charge for the year	2013 £'000	2012 £'000
<b>Current tax</b>		
UK corporation tax charge on profits for the year	217	239
Adjustment for prior years to UK corporation tax charge	(235)	(19)
Foreign taxation on profits for the year	38	272
Total current tax charge	20	492
<b>Deferred tax</b>		
Origination and reversal of timing differences	(10)	(3)
Changes in tax rates and laws	2	4
Adjustment for prior years	4	(8)
Total deferred tax credit	(4)	(7)
Total taxation charge	16	485
<b>Factors affecting tax charge for the year</b>	<b>2013 £'000</b>	<b>2012 £'000</b>
Profit on ordinary activities before taxation	570	1,665
Tax charge at UK corporation tax rate of 24% (2012 26%)	137	433
Effects of		
Capital allowances less / (greater) than depreciation	20	(27)
Expenses not deductible for tax purposes	98	105
Adjustments for prior years	(235)	(19)
Current tax charge for the year	20	492

#### Factors that may affect future tax charges

In July 2012 the UK government enacted a change in the UK corporation tax rate from 24% to 23% effective from 1 April 2013. The UK deferred tax balances at 31 March 2013 have been recalculated at the new rate.

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2013

### 8. Tangible fixed assets

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>				
At beginning of year	620	4,382	1,907	6,909
Additions	238	1,124	275	1,637
Disposals	-	(1)	(1)	(2)
At end of year	<u>858</u>	<u>5,505</u>	<u>2,181</u>	<u>8,544</u>
<b>Depreciation</b>				
At beginning of year	161	1,611	616	2,388
Charge for the year	81	740	327	1,148
At end of year	<u>242</u>	<u>2,351</u>	<u>943</u>	<u>3,536</u>
<b>Net book value at 31 March 2013</b>	<u><b>616</b></u>	<u><b>3,154</b></u>	<u><b>1,238</b></u>	<u><b>5,008</b></u>
Net book value at 31 March 2012	<u>459</u>	<u>2,771</u>	<u>1,291</u>	<u>4,521</u>

### 9. Goodwill

	Goodwill £'000
<b>Cost</b>	
At beginning and end of year	<u>21,610</u>
<b>Amortisation</b>	
At beginning of year	3,062
Charge for the year	<u>1,081</u>
At end of year	<u>4,143</u>
<b>Net book value at 31 March 2013</b>	<u><b>17,467</b></u>
Net book value at 31 March 2012	<u>18,548</u>

### 10. Stocks

	2013 £'000	2012 £'000
Work in progress	3,091	2,191
Finished goods	<u>164</u>	<u>18</u>
	<u><b>3,255</b></u>	<u><b>2,209</b></u>

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2013

### 11. Debtors

	2013 £'000	2012 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	8,244	5,563
Amounts recoverable on contracts	4,059	4,020
Loans owed by ultimate parent company	38,927	20,471
Amounts owed by ultimate parent company	34	-
Amounts owed by other Johnson Matthey group companies	4,195	3,700
Corporation tax receivable	18	-
Deferred tax asset (note 13)	55	51
Other debtors	195	202
Prepayments and accrued income	1,813	1,710
	<u>57,540</u>	<u>35,717</u>

### 12. Creditors

	2013 £'000	2012 £'000
<b>Amounts falling due within one year</b>		
Bank overdrafts	932	-
Trade creditors	1,334	1,336
Amounts owed to other Johnson Matthey group companies	186	248
Loans owed to ultimate parent company	42,371	17,858
Amounts owed to ultimate parent company	662	54
Corporation tax payable	-	303
Other creditors	26	12
Accruals and deferred income	1,029	596
	<u>46,540</u>	<u>20,407</u>

The bank overdraft is subject to a cross-guarantee between the company and other Johnson Matthey UK companies

### 13. Deferred taxation

	Deferred taxation asset £'000
At beginning of year	51
Credit for the year	4
At end of year	<u>55</u>

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2013

### 13. Deferred taxation (continued)

	2013 £'000	2012 £'000
Timing differences on fixed assets	(16)	(1)
Other	(39)	(50)
	<u>(55)</u>	<u>(51)</u>

### 14. Called up share capital

	Number	£'000
Allotted, called up and fully paid ordinary shares of £1 each		
At beginning and end of year	<u>40,000,002</u>	<u>40,000</u>

### 15. Reserves

	Profit and loss account £'000
At beginning of year	862
Share-based payments	266
Cash paid in relation to share-based payments	(266)
Profit for the year	554
Dividends (note 5)	(862)
At end of year	<u>554</u>

### 16. Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Profit for the year	554	1,180
Dividends (note 5)	(862)	-
Shares issued in the year	-	40,000
Share-based payments	266	334
Cash paid in relation to share-based payments	(266)	(334)
Movement in shareholders' funds	(308)	41,180
Opening shareholders' funds	<u>40,862</u>	<u>(318)</u>
Closing shareholders' funds	<u>40,554</u>	<u>40,862</u>



# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2013

### 17. Related party transactions

As the company is a wholly owned subsidiary of Johnson Matthey Plc, it has taken advantage of the exemption contained in Financial Reporting Standard (FRS) 8 – “Related Party Disclosures” and has not disclosed transactions or balances with entities which form part of the Johnson Matthey group

There were no other related party transactions during the year

### 18. Financial commitments

#### Capital commitments

	2013 £'000	2012 £'000
Contracted but not provided for	<u>219</u>	<u>-</u>

#### Leases

	2013 £'000	2012 £'000
Annual commitments under non-cancellable operating leases expiring within 2 - 5 years - land and buildings	<u>349</u>	<u>332</u>
	<u>349</u>	<u>332</u>

### 19. Share-based payments

#### Long term incentive plan (LTIP)

Under the LTIP, shares in the ultimate parent company are allocated to directors, senior managers and middle managers based on a percentage of salary and are subject to performance targets over a three year period. At 31 March 2013, shares allocated in 2010, 2011 and 2012 (at 31 March 2012, shares allocated in 2009, 2010 and 2011) were outstanding in respect of which the performance period has not expired. The minimum release of 15% of the allocation is subject to the achievement of underlying earnings per share of the ultimate parent company (EPS) growth of 6% compound per annum over the three year performance period. For the maximum release of 100% of the allocation, EPS must have grown by at least 15% compound per annum. The number of allocated shares released will vary on a straight line basis between these points. Allocations will lapse if the EPS growth is less than 6% compound per annum over the three year performance period. For the shares allocated in 2009 only, the performance conditions were relaxed and so the minimum release required EPS growth of 3% compound per annum and the maximum release required EPS growth of 10% compound per annum. As a result of the share consolidation in the ultimate parent company, for the shares allocated in 2010, 2011 and 2012 to executive directors of the ultimate parent company only, the performance conditions have been adjusted and so the minimum release requires EPS growth of 7% compound per annum and the maximum release requires EPS growth of 16% compound per annum. Of the shares allocated in 2009, 100% were released during the year.

# Tracerco Limited

## Notes to the accounts

### For the year ended 31 March 2013

#### 19 Share-based payments (continued)

##### Share Options

In 2007 the LTIP was introduced and allocations of shares under this plan replaced the granting of share options. No share options have been granted since the year ended 31 March 2007. Equity settled share options in the ultimate parent company were granted to employees at the average of the market value of the ultimate parent company's shares over the three days prior to the date of grant and were subject to performance targets over a three year period and have a maximum life of ten years. The number of shares over which options were granted was based on a percentage of the employee's salary.

Options granted in 2004 to 2006 were subject to a minimum three year performance target EPS growth of UK RPI plus 3% per annum. Other performance targets were EPS growth of UK RPI plus 4% per annum and EPS growth of UK RPI plus 5% per annum. If the performance targets were not met at the end of the three year performance period, the options would lapse. The targets for options granted in 2004, 2005 and the 3% and 4% targets for options granted in 2006 have been met and so these options are exercisable. The 5% target for options granted in 2006 was not met and so these options have lapsed. Gains are capped at 100% of the grant price.

Options granted in 2002 and 2003 can only be exercised if the normalised EPS has grown by at least UK RPI 4% per annum over any three consecutive years during the life of the options. They were subject to annual retesting until they lapse on the tenth anniversary of grant. Since the targets have been met all these options are exercisable.

##### Share incentive plan (SIP)

Under the SIP, all employees with at least one year of service within the Johnson Matthey Plc group and who are employed by a participating group company are entitled to contribute up to 2.5% of basic pay each month, subject to a £125 per month limit. The SIP trustees buy shares (partnership shares) at market value each month with the employees' contributions. For each partnership share purchased, the group purchases two shares (matching shares) which are allocated to the employee. If the employee sells or transfers partnership shares within three years from the date of allocation, the linked matching shares are forfeited.

Activity relating to share options was

	2013		2012	
	Number of options	Weighted average exercise price pence	Number of options	Weighted average exercise price pence
Outstanding at the start of the year	3,064	1,282.0	12,176	1,173.8
Exercised during the year	(3,064)	1,282.0	(9,112)	1,137.4
Outstanding at the end of the year	-	-	3,064	1,282.0
Exercisable at the end of the year	-	-	3,064	1,282.0

# Tracerco Limited

## Notes to the accounts

### For the year ended 31 March 2013

#### 19. Share-based payments (continued)

Options were exercised on a regular basis throughout the year. The average share price during the year was 2,297.0 pence (2012 1,943.0 pence).

Details of share options outstanding at the end of the year are

	2013		2012	
	Number of options	Weighted average remaining life years	Number of options	Weighted average remaining life years
<b>Range of exercise price</b>				
1,200 pence to 1,300 pence	-	-	3,064	4.3
	-	-	3,064	4.3

The fair value of the shares allocated during the year under the LTIP was 2,003.9 pence per share allocation (2012 1,907.2 pence per share allocation). The fair value was based on the share price at the date of allocation of 2,162.0 pence (2012 2,040.0 pence) adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 2.54% (2012 2.25%).

Activity relating to the LTIP was

	2013 Number of allocated shares	2012 Number of allocated shares
Outstanding at the start of the year	29,268	23,961
Transferred during the year	-	307
Allocated during the year	10,254	10,657
Forfeited during the year	(850)	(1,504)
Released during the year	(10,618)	(2,172)
Expired during the year	-	(1,981)
Outstanding at the end of the year	28,054	29,268

11,130 (2012 10,460) matching shares under the SIP were allocated to employees during the year. They are nil cost awards on which performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value of the shares at that date.

The total expense recognised during the year in respect of equity settled share-based payments, taking into account expected lapses due to leavers and the probability that EPS performance conditions will not be met, was £266,000 (2012 £334,000).

# Tracerco Limited

## Notes to the accounts

For the year ended 31 March 2013

### 20. Gross cash flows

	2013 £'000	2012 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	64	-
Interest paid	-	(40)
<b>Net cash flow from returns on investments and servicing of finance</b>	<b>64</b>	<b>(40)</b>
	2013 £'000	2012 £'000
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(1,637)	(1,389)
<b>Net cash flow from capital expenditure and financial investment</b>	<b>(1,637)</b>	<b>(1,389)</b>
	2013 £'000	2012 £'000
<b>Financing</b>		
Issue of ordinary share capital	-	40,000
Increase / (decrease) in net borrowings	6,057	(40,516)
<b>Net cash flow from financing</b>	<b>6,057</b>	<b>(516)</b>

### 21. Analysis of net debt

	Cash at bank and in hand £'000	Bank overdrafts £'000	Net loans due within one year £'000	Total £'000
At beginning of year	274	-	2,613	2,887
Cash flow				
From cash and overdrafts	3,550	(932)	-	2,618
From borrowings	-	-	(6,057)	(6,057)
At end of year	<b>3,824</b>	<b>(932)</b>	<b>(3,444)</b>	<b>(552)</b>

# **Tracerco Limited**

## **Notes to the accounts**

### **For the year ended 31 March 2013**

#### **22. Retirement Benefits**

The company is included in the Johnson Matthey Employees Pension Scheme which is mainly of the defined benefit type. The scheme includes employees of several companies in the Johnson Matthey Plc group. Consequently, the company is unable to identify its share of the underlying assets and liabilities and so the company accounts for its contributions to the scheme as if it were a defined contribution scheme. The cost of the company's contributions to the scheme for the year ended 31 March 2013 amounted to £1,170,000 (2012 £955,000). At 31 March 2013, under International Accounting Standard (IAS) 19 – 'Employee Benefits', the scheme had a deficit of £115.6 million (2012 £84.8 million) and contributions should continue at a similar rate. The amount recognised as an expense for defined contribution schemes amount to £149,000 (2012 £139,000).

#### **23. Ultimate parent company**

The company's immediate and ultimate parent company is Johnson Matthey Plc. The consolidated accounts of Johnson Matthey Plc are available to the public and may be obtained from 5th Floor, 25 Farringdon Street, London EC4A 4AB.