

PANalytical Limited

**Directors' report and financial
statements**

Registered number 1005071

31 December 2004



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Directors' report

The directors present their report and the financial statements for the year ended 31 December 2004.

Principal activity

The principal activity of the company is the marketing, sale and support of x-ray analytical equipment in the UK and Ireland.

Business review

The profit for the year after taxation amounted to £110,000 (2003: £266,000). PANalytical Ltd is wholly owned by Spectris plc, the ultimate parent company.

Our continued development of highly regarded technologically advanced products combined with our unrivalled dedication to customer care, will sustain our position as the UK's preferred supplier of X-ray analysis equipment.

Research and development is conducted on behalf of our controlling party, PANalytical BV.

Dividends

No dividends are recommended for the year (2003: £nil).

Directors and directors' interests

The directors of the company during the year were:

PV Boughton (Resigned 10th October 2004)
GEJ Eggermont (Dutch)
R Nicholls
RJ Stephens
JJ Van Rijn (Dutch)
JC Webster

The interest of Mr JC Webster in the shares and share options of Spectris plc, the ultimate holding company is shown in the accounts of that company.

The interests of Mr RJ Stephens in the share capital of Spectris plc are set out below:

	Ordinary shares of 5p nominal value	Executive options	Savings related options
01.01.04	16,568	182,647	9,191
31.12.04	39,463	176,147	1,969

Directors' report (continued)

Directors and directors' interests (continued)

Share options

Directors	Number of options At 01.01.04	Options granted	Exercised	Lapsed	At 31.12.04	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
RJ Stephens	10,259	-	-	-	10,259	618.9p	-	Oct-00	Oct-07
	4,924	-	-	-	4,924	550.7p	-	Mar-01	Mar-08
	10,259	-	-	-	10,259	321.7p	-	Mar-02	Mar-09
	19,485	-	-	-	19,485	513.18p	-	Mar-03	Mar-10
	12,220	-	-	-	12,220	498.5p	-	Mar-04	Mar-11
	25,000	-	-	25,000	-	516.5p	-	Mar-05	Mar-12
	32,500	-	-	32,500	-	342.5p	-	Sep-05	Sep-12
	40,000	-	-	-	40,000	279p	-	Mar-06	Mar-13
	28,000	-	-	-	28,000	468.5p	-	Sep-06	Sep-13
	-	26,000	-	-	26,000	462p	-	Mar-07	Mar-14
	-	25,000	-	-	25,000	406.25p	-	Oct-07	Oct-14
<hr/>									
SAYE	182,647	51,000	-	57,500	176,147				
	9,191	-	7,222	-	1,969	468.5p	-	Dec-06	Jun-07
<hr/>									
Total	191,838	51,000	7,222	57,500	178,116				

None of the directors had any interest directly or indirectly in the shares of subsidiary undertakings of Spectris plc.

Entitlement to exercise options granted under the Spectris 1996 Executive Share Plan is conditional upon the achievement of growth in normalised earnings per share (EPS) over three consecutive financial years between grant and exercise of at least 2% per annum in excess of growth in the retail price index.

At 31 December 2004 the mid share price of Spectris plc shares on the London Stock Exchange was 382p (2003: 425.75p). The highest share price in the year was 505p and the lowest was 380p.

Charitable donations

The company made no political contributions and made charitable contributions of £150 in the year.

By order of the Board



R Nicholls
Director

Philips House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0HB

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the company and of the profit, or loss for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as is reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Kinnaird Hill

Anglia House
285 Milton Road
Cambridge
CB4 1XQ
United Kingdom

Report of the independent auditors to the members of PANalytical Ltd

We have audited the financial statements on pages 5 to 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

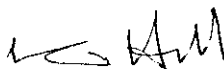
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Kinnaird Hill
Chartered Accountants
Registered Auditor

17 11 2005

Profit and loss account

For the year ended 31 December 2004

	Note	2004	2003
		Total £000	Total £000
Turnover	2	4,324	4,505
Cost of sales		(3,047)	(3,608)
Gross profit		1,277	897
Distribution costs		(51)	(2)
Administration expenses		(974)	(511)
Other operating income		15	14
Operating profit/(loss)		267	398
Other interest receivable and similar income	6	54	14
Interest payable and similar charges	7	(117)	-
Profit/(loss) on ordinary activities before taxation	3-5	204	412
Taxation on profit/(loss) on ordinary activities	8	(94)	(146)
Retained profit/(loss) for the year	17	110	266

The company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

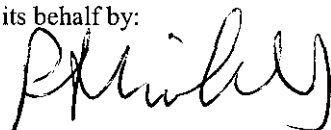
The notes on pages 7 to 16 form part of these financial statements.

Balance sheet

At 31 December 2004

	Notes	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Intangible assets	9	2,075		2,200	
Tangible assets	10	86		109	
			2,161		2,309
Current assets					
Stocks	11	364		555	
Debtors	12	752		1,317	
Cash at bank and in hand		32		121	
		1,148		1,993	
Creditors: Amounts falling due within one year	13	(2,475)		(3,649)	
Net current liabilities			(1,327)		(1,656)
Total assets less current liabilities			834		653
Provisions for liabilities and charges	14		(119)		(48)
Net assets			715		605
Capital and reserves					
Called up share capital	16		100		100
Profit and loss account	17		615		505
Equity shareholders' funds	18		715		605

These financial statements were approved by the board of directors on its behalf by:



R Nicholls
Director

17/6/05

and were signed on

The notes on pages 7 to 16 form part of these financial statements.

Notes

(Forming part of the financial statements)

1 Principal accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Spectris plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Spectris plc, within which this company is included, can be obtained from the address given in note 22.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

System sales are recognised when the customer has accepted ownership of the system. Service contract income is recognised at equal monthly instalments over the term of the service contract. All other sales are recognised upon delivery to the customer.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	-	Life of lease
IT equipment	-	33% straight line method

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Operating lease agreements

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Notes (continued)

1. Principal accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatments of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Post – retirement benefits

Defined benefit schemes

Until 31 March 2002, the company participated in the Spectris Pension Plan scheme providing benefits based on final pensionable pay operated by Spectris Plc. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Defined contribution schemes

Until 31 March 2002, the company participated in defined contribution pension schemes operated by Spectris Plc. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Since 1 January 2003, the company participated in defined contribution pension schemes operated by Spectris Plc. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The estimated useful life of goodwill is 20 years, which is equivalent to the life cycle of PANalytical X-ray analysis equipment.

Basis of translating foreign currencies

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

Research and development expenditure

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

Employee share schemes

The cost of awards to employees that take the form of shares or rights to shares are recognised over the period of the employee's related performance. (Where there are no performance criteria, the cost is recognised when the employee becomes unconditionally entitled to the shares.) No cost is recognised in respect of SAYE schemes that are offered on similar terms to all or substantially all employees.

Notes (continued)

2 Turnover

Turnover comprises sales made in the UK and Ireland only and the company carried out one class of business being the sale of analytical x-ray equipment and the provision of related support and maintenance services.

3 Profit/(loss) on ordinary activities before taxation

	2004 £000	2003 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
- Audit	7	10
- Other services – fees paid to the auditor and its associates	-	-
Depreciation on owned tangible fixed assets	27	21
Amortisation of intangible fixed assets	112	120
Operating lease rentals – leasehold premises	97	97
- Other	109	100
Exchange (gain)/loss	61	(5)
Research & development costs	314	277
	<hr/>	<hr/>

4 Staff numbers and costs

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

	Number of employees	
	2004	2003
Production and distribution	16	16
Sales	9	10
	<hr/>	<hr/>
	25	26
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Salaries	802	800
Social security costs	101	90
Other pension costs	53	50
	<hr/>	<hr/>
	956	940
	<hr/>	<hr/>

Notes (continued)

5 Remuneration of directors

The aggregate amount of emoluments paid to directors during the period was £62,764. (2003 - £88,302).

The aggregate contributions to the defined contribution pension schemes in respect of directors were £3,665 (2003 - £297).

The number of directors accruing benefits under Group pension schemes was 1 (2003 - 1).

6 Other interest receivable and similar income

	2004 £000	2003 £000
Bank interest receivable	5	5
Interest receivable on short term loan	49	9
	<u>54</u>	<u>14</u>

7 Interest payable and similar charges

	2004 £000	2003 £000
Interest payable on short term loan	117	-
	<u>117</u>	<u>-</u>

8 Tax on profit/(loss) on ordinary activities

Analysis of (credit)/ charge in period

	2004 £000	£000	2003 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	103		137	
	<u>103</u>		<u>137</u>	
Total current tax		103		137
Deferred tax		(9)		9
		<u>94</u>		<u>146</u>
Tax on profit on ordinary activities		94		146

Notes (continued)

8 Tax on (loss)/profit on ordinary activities (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2003: higher) than the standard rate of corporation tax in the UK (30%; 2003: 30%). The differences are explained below.

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	204	412
	<hr/>	<hr/>
Current tax at 30% (2003: 30%)	61	124
<i>Effects of:</i>		
Expenses not deductible for tax purposes	31	7
Capital allowances for period in excess of depreciation	11	6
	<hr/>	<hr/>
Total current tax charge/(credit) (see above)	103	137
	<hr/>	<hr/>

9 Intangible fixed assets

	Goodwill £000
Cost	
At beginning of year	2,361
Adjustment in fair value of acquisition	(13)
	<hr/>
At end of year	2,348
	<hr/>
Amortisation	
At beginning of year	161
Charge for the year	112
	<hr/>
At end of year	273
	<hr/>
Net book value	
At 31 December 2004	2,075
	<hr/>
At 31 December 2003	2,200
	<hr/>

Notes (continued)

10 Tangible fixed assets

	Short term leasehold improvements £000	IT Equipment £000	Total £000
Cost			
At beginning of year	96	39	135
Acquisitions	-	4	4
	<hr/>	<hr/>	<hr/>
At end of year	96	43	139
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	21	5	26
Charge for the year	14	13	27
	<hr/>	<hr/>	<hr/>
At end of year	35	18	53
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2004	61	25	86
	<hr/>	<hr/>	<hr/>
At 31 December 2003	75	34	109
	<hr/>	<hr/>	<hr/>

The company had no capital commitments contracted for at 31 December 2004 (2003: £nil).

11 Stocks

	2004 £000	2003 £000
Raw materials and service stock	223	386
Finished goods	141	169
	<hr/>	<hr/>
	364	555
	<hr/>	<hr/>

12 Debtors

	2004 £000	2003 £000
Trade debtors	650	1,304
Amounts owed by parent undertaking	5	4
Amounts owed by fellow group undertakings	34	-
Other debtors	63	9
	<hr/>	<hr/>
	752	1,317
	<hr/>	<hr/>

Notes (continued)

13 Creditors: Amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	45	143
Amounts owed to parent undertaking	1,297	1,980
Corporation tax	126	138
Other taxation and social security costs	179	271
Accruals and deferred income	788	970
Other creditors	40	147
	<u>2,475</u>	<u>3,649</u>

14 Provision for liabilities and charges

	Deferred Taxation £000	Warranty £000	Other £000	Total £000
At beginning of year	9	23	16	48
Charge/credit to P&L during the year	(9)	96	(16)	71
Utilised during the year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	-	119	-	119
	<u>-</u>	<u>119</u>	<u>-</u>	<u>119</u>

The warranty provision is for product costs anticipated in satisfying commitments under warranty period for products sold.

The elements of deferred taxation are as follows:

	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	-	9
Other timing differences	-	-
	<u>-</u>	<u>-</u>
Provision	-	9
	<u>-</u>	<u>9</u>

15 Contingent liabilities

With other members of the group, the company has guaranteed facilities made available to Spectris plc, in respect of which the following amounts were outstanding at 31 December 2004:

	2004	2003
National Westminster Bank plc	<u>£4,893,000</u>	<u>£5,684,000</u>

Notes *(continued)*

16 Called up share capital

	2004	2003
	£000	£000
<i>Authorised, allotted, called up and fully paid</i>		
100,000 Ordinary shares of £1 each	100	100

17 Profit and loss account

	2004	2003
	£000	£000
At beginning of year	505	239
Retained profit/ (loss) for the year	110	266
At end of year	615	505

18 Reconciliation of movements in shareholders' funds

	2004	2003
	£000	£000
Profit/(loss) for the financial year	110	266
Net addition to/(reduction in) shareholders' funds	110	266
Opening shareholders' funds	605	339
Closing shareholders' funds	715	605

Notes (continued)

19 Pension commitments

Notes

Defined benefit schemes

Until 31 March 2002, the company was a member of the Spectris Pension Plan scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme. The total deficit of the Plan at 31 December 2004 was £9.6m (2003: £7.8m).

The latest full actuarial valuation was carried out at 31 December 2002 and was updated for FRS 17 purposes to 31 December 2003 by a qualified independent actuary.

The Spectris Pension Plan was closed to new members from 1 January 1996. The contribution for 2004 was £nil (2003: £nil).

Further details are set out in the accounts of Spectris Plc.

Defined contribution schemes

Until 31 March 2002, the company participated in a Fairey Nuclear Ltd defined contribution pension scheme operated by Spectris Plc. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £nil in 2004 (2003: £nil).

Since 1 January 2003, the company participated in a PANalytical Ltd defined contribution pension scheme operated by Spectris Plc. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £66,244 (2003: £64,112).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

20 Lease commitments

At 31 December 2004, the company had annual commitments under non-cancellable operating leases as follows:

	Other 2004 £000	Other 2003 £000	Land and buildings 2004 £000	Land and buildings 2003 £000
Expiring within one year	3	-	-	-
Expiring between two and five years	86	-	97	97
	<u>89</u>	<u>-</u>	<u>97</u>	<u>97</u>

Notes *(continued)*

21 Restatement of profit and loss account for the year ended December 2003

The restatement arises from the inclusion of £289,000 in administration expenses and £14,000 in other operating income, of which the total of £303,000 was previously included in turnover. There is no effect on the retained profit and therefore no prior year adjustment

22 Controlling party

The controlling party is PANalytical BV, a company incorporated in the Netherlands. The smallest level of consolidation is PANalytical EMEA region and these accounts are available from PANalytical BV, Twentepoort Oost 26, NL-7609 RG Almelo.

23 Ultimate holding company and parent undertaking

The ultimate holding company and parent undertaking is Spectris plc, which is incorporated in Great Britain and registered in England. Copies of their accounts are available from the company's registered office at Station Road, Egham, Surrey TW20 9NP.