

SERVOMEX LIMITED
Directors' report and financial statements

Year Ended 31 December 2002

Registered number 1938746
Registered in England

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

Servomex Ltd continues to operate as a holding company.

Results for the year

The loss after taxation for the year was £487,000 (2001: £432,000). The full results for the year are shown in the profit and loss account on page 4.

Dividends

The directors do not recommend the payment of a dividend (2001: £nil).

Directors

The directors of the company who served during the year were as follows:

Paul Boughton
Hans Nilsson
Graham Zacharias

Directors' interests

The interests of Mr Boughton, Mr Nilsson, and Mr Zacharias who were also directors of the holding company are shown in the accounts of the ultimate parent company, Spectris plc.

Auditors

Pursuant to section 386 of the Companies Act 1985, a resolution has been passed that has resulted in the company not being required to reappoint its auditors annually.

By order of the Board



R.J. Stephens
Secretary

4 September 2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year 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 presume 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 are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Servomex Limited

We have audited the financial statements on pages 4 to 11.

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 2, 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.

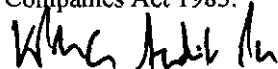
Basis of audit opinion

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

4 September 2003

Profit and loss account
for the year ended 31 December 2002

	<i>Notes</i>	2002 £000	2001 £000
Administration expenses		(397)	(343)
Operating loss	2	(397)	(343)
Net interest payable	3	(191)	(198)
Loss on ordinary activities before taxation		(588)	(541)
Taxation	4	101	109
Loss on ordinary activities for the financial year		(487)	(432)

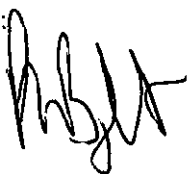
The company has no recognised gains and losses other than those reported above, and therefore no separate statement of total recognised gains and losses has been presented.

Balance sheet

As at 31 December 2002

	Notes	2002 £000	2001 £000
Fixed assets			
Tangible assets	6	764	814
Investments	7	19,882	19,882
		<u>20,646</u>	<u>20,696</u>
Current assets			
Debtors: amounts falling due within one year	8	1,837	2,491
Creditors: amounts falling due within one year	9	(17,672)	(17,939)
Net current assets		<u>(15,835)</u>	<u>(15,448)</u>
Provisions		<u>(50)</u>	
Net assets		<u>4,761</u>	<u>5,248</u>
Capital and reserves			
Called up share capital	11	517	517
Share premium account	12	2,087	2,087
Other reserves	12	2,256	2,256
Profit and loss account	12	(99)	388
Equity shareholders' funds	13	<u>4,761</u>	<u>5,248</u>

These financial statements were approved by the board of directors on 4 September 2003 and were signed on its behalf by:



P.V. Boughton
Director

Notes to the financial statements

1. Accounting policies

Basis of accounting

The company prepares its annual financial statements under the historical cost convention, with the exception of certain freehold land and buildings, which are included at a valuation, and in accordance with the accounting policies set out below and applicable accounting standards.

The company has adopted FRS 19, Deferred Tax in the period.

Consolidation

Consolidated accounts have not been prepared for the company as it is a wholly owned subsidiary of Spectris plc, a parent undertaking registered in England, which has prepared consolidated accounts.

Translation of foreign currencies

Transactions in foreign currencies are translated into sterling at the approximate rates of exchange ruling at the time they took place.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date. Exchange gains and losses are credited or charged to the profit and loss account.

Tangible fixed assets

With the exception of freehold land, tangible fixed assets are depreciated at rates calculated to write off the original cost or subsequent valuation, less the estimated residual value, in equal instalments over the expected useful life of the assets concerned.

Depreciation is provided at the following rates on a straight line basis:

Freehold building	2%
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Investments

Investments in subsidiaries and other investments are stated at cost, less amounts written off where there has been an impairment in value.

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from timing differences that have originated but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable.

Pension costs

In respect of the defined benefit pension plans, pension fund contributions are based on percentages of employees' wages and salaries in accordance with the recommendations of the scheme actuary. Contributions are charged to profit and loss account with variations due to a fund valuation surplus or deficiency apportioned over the average future service lives of the membership.

In the case of defined contribution plans, contributions are charged to the profit and loss account as incurred.

Cashflow statements

The company is a wholly owned subsidiary of Spectris plc and its cash flows are included in the consolidated group cash flow statement of Spectris plc. Consequently, the company is exempt under FRS 1 (Revised) from publishing a cash flow statement.

Notes to the financial statements (continued)

Related parties

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. The consolidated financial statements of Spectris plc, within which this company is included, can be obtained from the address given in note 9.

2. Operating loss

Operating loss is stated after charging:

	2002 £000	2001 £000
Depreciation	49	43
Additional pension costs	530	
Impairment losses		200
Auditors' remuneration:		
Audit fees	19	-

3. Net interest payable

	2002 £000	2001 £000
Interest payable and similar charges:		
On borrowing repayable wholly within five years:		
Bank loans and overdrafts	99	80
Other loans	92	118
	<u>191</u>	<u>198</u>

Notes to the financial statements (continued)

4. Tax on loss on ordinary activities

	2002 £000	2001 £000
<i>UK corporation tax</i>		
Corporation tax on income for the year at 30% (2000:30%)	(157)	(101)
Adjustments in respect of prior periods	6	(8)
Total current tax charge/(credit)	(151)	(109)
Deferred tax	50	-
Total charge/(credit)	(101)	(109)

The current tax credit is lower than the standard rate of corporation tax in the UK. The difference is explained below:

Loss on ordinary activities before tax	(588)	(541)
Current tax credit at 30% (2001: 30%)	(176)	(162)
Non deductible expenditure	23	65
Timing differences	(4)	(4)
Adjustments to prior year tax charge	6	(8)
Current tax charge/(credit)	(151)	(109)

5. Pension costs

The company participates in a multi-employer pension scheme (the Servomex Pension and Assurance Scheme) providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the Scheme's assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits' the Scheme is accounted for by the Company as if it were a defined contribution scheme. The Scheme had a deficit at 31 December 2002 of £3.95m (2001 : £1.25m deficit).

The latest full actuarial valuation was carried out as at 30 June 2002 and was updated for FRS 17 purposes to 31 December 2002 by an independent qualified actuary.

The Servomex Pension & Assurance Scheme is closed to new employees. Contributions payable by the company amounted to £nil for the year ended 31 December 2002 (2001: nil).

Further details are given in the accounts of Spectris plc.

Notes to the financial statements (continued)

6. Tangible fixed assets

	Freehold Land and Buildings £'000
<i>Cost:</i>	
At 1 January and 31 December 2002	<u>2,255</u>
<i>Depreciation:</i>	
At 1 January 2002	1,441
Charge for the year	49
At 31 December 2002	<u>1,490</u>
<i>Net Book value:</i>	
At 31 December 2002	765
31 December 2001	814

7. Investments

	2002 £000	2001 £000
Shares in group undertakings:	<u>19,882</u>	<u>19,882</u>

The following are the group's principal subsidiary undertakings. They operate mainly in the countries of incorporation. All the subsidiaries are wholly owned by Servomex Limited through intermediate holding companies.

Company	Country of incorporation
Servomex Group Limited	England
Servomex SA	France
Servomex GmbH	Germany
Servomex BV	Netherlands
Servomex Asia Pacific Limited	Taiwan
Servomex Overseas Ltd	England
Servomex UK Holdings Ltd	England
Servomex Holdings GmbH	Germany
Servomex Luxembourg SARL	Luxembourg
Servomex Holdings BV	Netherlands
Servomex Holdings SAS	France

Notes to the financial statements (continued)

8. Debtors

	2002 £000	2001 £000
Amounts falling due within one year:		
Amounts owed by group undertakings	1,648	2,082
Other debtors	26	10
Corporation tax	163	399
	<u>1,837</u>	<u>2,491</u>

Amounts owed by group undertakings in the books of the company have been reclassified from long term debtors to debtors due within one year to reflect the fact they are repayable upon demand.

9. Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank loans and overdrafts	3,078	2,053
Other creditors including taxation and social security		-
Accruals and deferred income	42	43
Amounts owed to group undertakings	14,552	15,843
	<u>17,672</u>	<u>17,939</u>

10. Deferred tax liability

The elements of deferred taxation are as follows:

	2002 £000	2001 £000
Difference between accumulated depreciation and amortisation and capital allowances	50	-
	<u>50</u>	<u>-</u>

11. Contingent liabilities

The company has guaranteed facilities made available to Spectris plc in respect of which the following amounts were outstanding at 31 December 2002:

Royal Bank of Scotland plc:	£56,385,000	(2001: £2,591,000)
Royal Bank of Scotland plc:	£7,318,000	(2001: £5,693,000)
Bank One:	£30,000	(2001: £26,612,000)

Notes to the financial statements (continued)

12. Share capital

	Number of Shares 000's	£'000
Authorised:		
Ordinary shares of 5p each	15,000	750
Issued and fully paid:		
Balance at 1 January and 31 December 2002	10,339	517

13. Share premium and reserves

	£000	£000	£000	£000
	Share Premium	Other Reserves	Profit and Loss Account	Total
1 January 2002	2,087	2,256	388	4,731
Retained loss for the year	-		(487)	(487)
31 December 2002	2,087	2,256	(99)	4,244

Other reserves relates to a Capital Redemption Reserve and is non-distributable.

14. Reconciliation of movements in equity shareholders' funds

	2002 £000	2001 £000
Opening equity shareholders' funds	5,248	5,680
Loss for the financial year	(487)	(432)
Closing equity shareholders' funds	4,761	5,248

15. Ultimate parent company

The ultimate holding company is Spectris plc, a company incorporated in Great Britain and registered in England. Copies of its annual report and consolidated accounts are available from:

Spectris plc
Station Road
Egham
Surrey
TW20 9NP