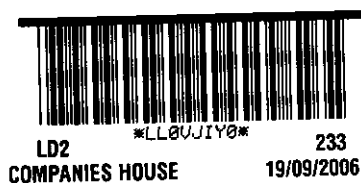


**Servomex Group Limited**

**Directors' report and financial  
statements**

**Registered number 2170458**

**31 December 2005**



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## Directors' report

The directors present their report and the financial statements for the year ended 31 December 2005.

### Principal activities

The company's principal activity during the year continued to be the design, manufacture and distribution of industrial instruments for gas analysis.

### Business review

The turnover for the year was £19,900,000 (2004: £16,397,000).

The profit on ordinary activities before taxation for the year was £1,884,000 (2004: £794,000).

### Dividends

The directors recommend that no dividend be paid (2004: £nil).

### Directors

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

Stephen Harris #	(appointed: 10 October 2005)	Chairman
Linda Bell		Managing Director
Andrew Armitage	(resigned: 6 April 2006)	
Wayne Brazier		
Tim Fry	(appointed: 4 July 2005; resigned: 24 July 2006)	
Simona Gargani	(resigned: 8 December 2005)	
James Hobby		
Valerie Stevens	(resigned: 30 May 2005)	
James Webster #	(resigned: 10 October 2005)	

The directors and their families have no beneficial interests in the ordinary share capital of the company.

The directors marked (#) are also directors of the Company's ultimate holding company, Spectris plc. Their interest in the share capital of that company is stated in the annual report and financial statements of Spectris plc for the year ended 31 December 2005.

Directors' interests in shares and share options to acquire shares of Spectris plc are listed in note 4 to the financial statements.

### Policy and practice on payment of creditors

The company policy and practice is to pay suppliers in accordance with contractually negotiated terms. Trade creditors at the year end amounted to 59 days of average supplies for the year (2004: 70 days).

### Research and development

The company's products are regarded by the directors as advanced technology and as such require constant updating and renewal to remain competitive. It is the policy of the company to devote significant funds each year towards the exploitation of new technology within the industrial instrumentation field. The amount of this expenditure is given in note 3 to the financial statements.

## Directors' report (*continued*)

### Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

By order of the Board



L Bell  
Director

Jarvis Brook  
Crowborough  
TN6 3DU

11 September 2006



**KPMG Audit Plc**

1 Forest Gate  
Brighton Road  
Crawley  
RH11 9PT  
United Kingdom

**Independent auditors' report to the members of Servomex Group Limited**

We have audited the financial statements of Servomex Group Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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**

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

11 September 2006

## Profit and loss account

For the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Turnover	2	19,900	16,397
Change in stocks of finished goods and WIP		(62)	246
Raw materials and consumables		(7,025)	(5,808)
Staff costs	4,5	(6,936)	(5,766)
Depreciation and other amounts written off tangible fixed assets	8	(633)	(624)
Other operating charges		(3,490)	(3,685)
		<u>(18,146)</u>	<u>(15,637)</u>
Operating profit		1,754	760
Net interest receivable	6	130	34
Profit on ordinary activities before taxation	3	1,884	794
Tax on profit on ordinary activities	7	(477)	4
Profit on ordinary activities after taxation and retained profit for the year	14	<u>1,407</u>	<u>798</u>

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. All operations of the company are classed as continuing.

The notes on pages 6 to 15 form part of these financial statements.

**Balance sheet**  
*As at 31 December 2005*

	<i>Note</i>	<b>2005</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
<b>Fixed assets</b>					
Tangible fixed assets	8		1,257		1,486
<b>Current assets</b>					
Stocks	9	1,816		1,878	
Debtors	10	7,316		4,661	
Cash at bank and in hand		98		77	
		<u>9,230</u>		<u>6,616</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(3,956)</u>		<u>(3,001)</u>	
<b>Net current assets</b>			5,274		3,615
<b>Total assets less current liabilities</b>			<u>6,531</u>		<u>5,101</u>
<b>Provisions for liabilities and charges</b>	12		<u>(211)</u>		<u>(188)</u>
<b>Net assets</b>			<u>6,320</u>		<u>4,913</u>
<b>Capital and reserves</b>					
Called up share capital	13		4,426		4,426
Profit and loss account	14		1,894		487
<b>Equity shareholders' funds</b>			<u>6,320</u>		<u>4,913</u>

The notes on pages 6 to 15 form part of these financial statements.

These financial statements were approved by the board of directors on 11 September 2006 and were signed on its behalf by:



**L Bell**  
*Director*

## Notes

*(forming part of the financial statements)*

### 1. 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 100% of the company's voting rights are controlled within the group by Spectris plc, the company has taken advantage of the exemption contained in Financial Reporting Standard 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 19.

#### ***Fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Leasehold land		
and buildings	-	life of lease
Plant and machinery	-	3 to 16 years

No depreciation is provided on freehold land.

#### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### ***Post-retirement benefits***

The company participates in two pension schemes run by group companies, one a defined benefit scheme and the other a defined contribution scheme. Details of these schemes are given in the accounts of Spectris plc (see note 18).

The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the period.

The assets of the defined benefit 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 Financial Reporting Standard 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.

#### ***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.



## Notes (continued)

### 1. Accounting policies (continued)

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, a first in first out basis is used. For work in progress and finished goods the cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### *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 contracted rate or 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.

#### *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 treatment 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 Financial Reporting Standard 19.

#### *Turnover*

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

### 2. Analysis of turnover

<i>By activity</i>	2005 £'000	2004 £'000
Analysers	15,763	12,992
Transducers	4,137	3,405
	<hr/>	<hr/>
Total sales	19,900	16,397
	<hr/>	<hr/>

The directors consider that it would be seriously prejudicial to the interests of the company to disclose turnover by geographical region.

## Notes (continued)

### 3. Profit on ordinary activities before taxation

	2005 £'000	2004 £'000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>After charging:</i>		
Auditors' remuneration:		
Audit	27	17
Exchange losses	59	93
Hire of other assets - operating leases		
Land and buildings	130	130
Other	86	128
Research and development expenditure	1,797	1,679
<i>After crediting:</i>		
Exchange gains	(121)	(55)
	<u>          </u>	<u>          </u>

### 4. Remuneration of directors

	2005 £'000	2004 £'000
Directors' emoluments	661	498
	<u>          </u>	<u>          </u>

Remuneration of UK based directors not employed by the company in respect of their services to Servomex Group Limited is shown in the financial statements of Spectris plc together with details of employer pension contributions.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £185,000 (2004: £147,000) and company pension contributions of £10,000 (2004: £9,000) were made to a money purchase scheme.

	Number of directors	
	2005	2004
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	3
	<u>          </u>	<u>          </u>
The number of directors who exercised share options was	2	1
	<u>          </u>	<u>          </u>

Notes (continued)

4. Remuneration of directors (continued)

Shares and share options

The interests of those directors who at year end were also directors of Spectris plc are disclosed in the financial statements of Spectris plc. The interests of the other directors in the shares and options to acquire shares of Spectris plc are as follows:

	Shareholding in Spectris plc	Spectris plc Share Options								
		At 1.1.05 or appointment	Granted	Rights Issue	Exercised	Lapsed	At 31.12.05 or resignation	Exercise price	Date exercisable	Expiry Date
A Armitage	0	3,796					3,796	776.6660p	May-01	May-06
		3,077					3,077	513.1832p	Mar-03	Mar-10
		5,000					5,000	525.0000p	Oct-03	Oct-10
		5,000					5,000	357.5000p	Oct-04	Oct-11
L Bell	2,697	15,000					15,000	357.5000p	Oct-04	Oct-11
		1,393					1,393	408.0000p	Dec-07	Jun-08
		1,103			1,103		0	342.5000p	Dec-05	Jun-06
W Brazier	0	0					0			
T Fry	0	0					0			
S Gargani	0	0					0			
J Hobby	125	1,130					1,130	525.0000p	Oct-03	Oct-10
V Stevens	0	6,778			6,778		0	385.0190p	Sep-01	Sep-08
		3,076					3,076	513.1832p	Mar-03	Mar-10
		5,000					5,000	525.0000p	Oct-03	Oct-10
		5,000					5,000	357.5000p	Oct-04	Oct-11

**Notes (continued)**

**5. 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	
	2005	2004
Production and distribution	79	74
Other	107	97
	<u>186</u>	<u>171</u>

The aggregate payroll costs of these persons were as follows:

	2005 £'000	2004 £'000
Wages and salaries	5,832	4,846
Social security costs	570	501
Other pension costs	534	419
	<u>6,936</u>	<u>5,766</u>

**6. Net interest receivable**

	2005 £'000	2004 £'000
Net interest receivable from group companies	<u>130</u>	<u>34</u>

**Notes (continued)**

**7. Taxation**

Analysis of charge in period

	2005		2004	
	£'000	£'000	£'000	£'000
<i>UK corporation tax</i>				
Current tax on income for the year	554		270	
Adjustments in respect of prior years	(30)		(16)	
	<hr/>		<hr/>	
Total current tax		524		254
<i>Deferred tax (see note 10)</i>				
Origination/reversal of timing differences	(70)		(91)	
Adjustment in respect of previous years	23		(167)	
	<hr/>		<hr/>	
Total deferred tax		(47)		(258)
		<hr/>		<hr/>
Tax on profit on ordinary activities		477		(4)
		<hr/>		<hr/>

*Factors affecting the tax charge for the current year*

The current tax charge for the year is lower (2004: *higher*) than the standard rate of corporation tax in the UK (30%, 2004: 30%). The differences are explained below.

	2005	2004
	£'000	£'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,884	794
	<hr/>	<hr/>
Current tax at 30% (2004: 30%)	565	238
<i>Effects of:</i>		
Expenses not deductible for tax purposes	8	16
Depreciation for period in excess of capital allowances	22	3
Other timing differences	48	88
Tax incentives	(89)	(75)
Adjustments to tax charge in respect of previous periods	(30)	(16)
	<hr/>	<hr/>
Total current tax charge (see above)	524	254
	<hr/>	<hr/>

**Notes (continued)**

**8. Tangible fixed assets**

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
<i>Cost</i>				
At beginning of year	88	725	5,582	6,395
Additions	-	-	405	405
Disposals	-	-	(73)	(73)
At end of year	88	725	5,914	6,727
<i>Depreciation</i>				
At beginning of year	(71)	(657)	(4,181)	(4,909)
Charge for year	(8)	(55)	(570)	(633)
Disposals	-	-	72	72
At end of year	(79)	(712)	(4,679)	(5,470)
<i>Net book value</i>				
At 31 December 2005	9	13	1,235	1,257
At 31 December 2004	17	68	1,401	1,486

**9. Stocks**

	2005 £'000	2004 £'000
Raw materials and consumables	58	49
Work in progress	1,522	1,638
Finished goods and goods for resale	236	191
	1,816	1,878

## Notes (continued)

### 10. Debtors

	2005 £'000	2004 £'000
Trade debtors	1,182	1,443
Amounts owed by group undertakings	5,194	2,601
Taxation and social security	331	66
Other debtors	22	6
Prepayments and accrued income	182	187
Deferred tax (due in more than one year)	405	358
	<u>7,316</u>	<u>4,661</u>

The elements of deferred taxation are as follows:

	2005 £'000	2004 £'000
Difference between accumulated depreciation and amortisation and capital allowances	218	191
Other timing differences	187	167
	<u>405</u>	<u>358</u>

### 11. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	2,172	1,713
Amounts owed to group undertakings	62	281
Taxation and social security	706	410
Other creditors	80	67
Accruals and deferred income	936	530
	<u>3,956</u>	<u>3,001</u>

### 12. Provisions for liabilities and charges

	Product Warranty £'000	Other Provisions £'000	Total £'000
At beginning of year	88	100	188
Charge to the profit and loss for the year	23	-	23
	<u>111</u>	<u>100</u>	<u>211</u>

## Notes (continued)

### 13. Called up share capital

	2005 £'000	2004 £'000
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	5,000	5,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	4,426	4,426
	<hr/>	<hr/>

### 14. Reserves

	Profit and loss account £'000
At beginning of year	487
Retained profit for the year	1,407
	<hr/>
At end of year	1,894
	<hr/>

### 15. Reconciliation of movement in equity shareholders' funds

	2005 £'000	2004 £'000
Profit for the financial year	1,407	798
Opening shareholders' funds	4,913	4,115
	<hr/>	<hr/>
Closing shareholders' funds	6,320	4,913
	<hr/>	<hr/>

### 16. Contingent liabilities

The company has outstanding bank guarantees at 31 December 2005 to the value of £295,796 (2004: £114,546).

With other members of the Spectris group, the company has guaranteed facilities made available to Spectris plc in respect of which the following amounts were outstanding at 31 December 2005:

- Royal Bank of Scotland £4,619,000 (2004: £4,893,000)



**Notes (continued)**

**17. Commitments**

a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2005 £'000	2004 £'000
Contracted	187	338

b) Annual commitments on operating leases are:

	2005		2004	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	16	-	18
In the second to fifth years inclusive	130	29	130	33

**18. Pension commitments**

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 Financial Reporting Standard 17 'Retirement Benefits' the Scheme is accounted for by the company as if it were a defined contribution scheme.

The Servomex Pension and Assurance Scheme is closed to new employees. Contributions payable by the company amounted to £467,000 for the year ended 31 December 2005 (2004: £353,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

The assets and liabilities of the Servomex Pension and Assurance scheme were transferred to the Spectris Pension Plan on 31 December 2005.

Spectris plc also operates a defined contribution pension plan, membership of which is available to the qualifying UK employees of group companies. Contributions payable by the company to the plan amounted to £67,000 for the year ended 31 December 2005 (2004: £66,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

Further details are given in the accounts of Spectris plc.

**19. Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Spectris plc incorporated in the UK.

The largest and smallest group in which the results of the company are consolidated is that headed by Spectris plc. The directors consider that Spectris plc is the ultimate parent company. Copies of the accounts of that company can be obtained from Spectris plc, Station Road, Egham, Surrey, TW20 9NP.