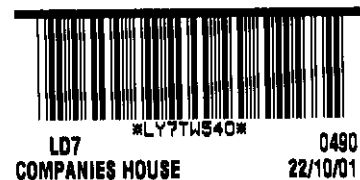


Servomex Group Limited

**Directors' report and financial
statements**

2170458

31 December 2000



SERVOMEX GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 2000.

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

During 1999 the decision was made by the Fairey Group plc management to consolidate the Servomex UK operations within a single entity. Consequently the businesses of Servomex Transducers Limited and Servomex International Limited were transferred to Servomex Group Limited on 31 December 1999.

The turnover for the year was £13,724k (1999: £8,532k). (The turnover of Servomex Transducers Limited for its 9 months of trading in 1999 was £3,459k.)

The loss on ordinary activities for the year was £845k (1999: £731k) after charging exceptional items of £176k (1999: £768k).

Directors

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

Hans Nilsson #	(Chairman)
Lester Goodman	(Managing Director)
Andrew Armitage	
Spencer Cheng	(resigned 15 March 2000)
Riad Kocache	
Malcolm Langridge	(appointed 23 March 2000)
Melvin Platte	(resigned 2 June 2000)
Valerie Stevens	
Kenneth Thomas	
Robert Wang	(resigned 15 March 2000)
J Graham Zacharias #	

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

The directors marked (#) were also directors of the Company's ultimate holding company, Fairey Group Limited. Their interests in the share capital of that company are stated in the annual report and financial statements of Fairey Group plc for the year ended 31 December 2000.

Directors' interests in shares and share options to acquire shares of Servomex plc, and subsequently Fairey Group plc are listed in note 5 to the financial statements.

H Nilsson and J.G Zacharias resigned in March 2001 and L Goodman resigned as director in April 2001.

Dividends

The directors recommend that no dividend be paid (1999: £nil)

The Euro

The Company has adapted its commercial and financial processes to enable it to transact business in the Euro, after its introduction on 1 January 1999.

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 52 days of average supplies for the year (1999: 49 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 4 to the financial statements.

Spectris

In May 2001 Fairey Group agreed at its Annual General Meeting to change its name to Spectris henceforth.

By order of the Board



V Stevens
Company Secretary
20th September 2001

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.

Report of the auditors, KPMG Audit Plc, to the members of Servomex Group Limited.

We have audited the financial statements on pages 6 to 19.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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. 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 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 2000 and of its loss 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

25th September 2001
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Profit and loss account

For the year ended 31 December 2000

	<i>Note</i>	2000 £'000	£'000	1999 £'000	£'000
Turnover	2	13,724		8,532	
			13,724		8,532
Change in stocks of finished goods and WIP	3	(243)		90	
Other operating income	3	-		972	
Raw materials and consumables	3	(4,723)		(4,335)	
Staff costs	3,5,6	(5,161)		(4,579)	
Depreciation and other amounts written off tangible fixed assets	3	(524)		(352)	
Other operating charges	3	(3,868)		(1,676)	
			(14,519)		(9,880)
Operating loss	3		(795)		(1,348)
Income from other fixed asset investments	7	-		636	
Interest payable and similar charges	8	(50)		(19)	
Loss on ordinary activities before taxation			(845)		(731)
Tax on loss on ordinary activities	9		354		279
Loss on ordinary activities after taxation and retained loss for the year	18		(491)		(452)

Exceptional Costs


Operating loss includes exceptional items of £176,000 3

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.

Balance sheet
As at 31 December 2000

	Note	2000 £'000	1999 £'000	£'000
Fixed assets				
Tangible assets	10	1,372		1,540
Investments	11	1,986		1,986
		3,358		3,526
Current assets				
Stocks	12	1,320	1,438	
Debtors	13	3,346	15,740	
Cash at bank and in hand		170	84	
		4,836	17,262	
Creditors: amounts falling due within one year	14	(4,405)	(16,286)	
Net current assets			431	976
Total assets less current liabilities			3,789	4,502
Creditors: amounts falling due after more than one year	15	-		(137)
Provisions for liabilities and charges	16	(326)		(411)
Net assets			3,463	3,954
Capital and reserves				
Called up share capital	17	4,426		4,426
Profit and loss account	18	(963)		(472)
Equity Shareholders' funds			3,463	3,954

These financial statements were approved by the board of directors on 20th September 2001 and were signed on its behalf by:



V Stevens
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2000

	2000 £'000	1999 £'000
Loss for the financial year	(491)	(452)
Dividends	-	-
	<hr/>	<hr/>
	(491)	(452)
	<hr/>	<hr/>
Net reduction in shareholders' funds	(491)	(452)
Opening shareholders' funds	3,954	4,406
	<hr/>	<hr/>
Closing shareholders' funds	3,463	3,954
	<hr/>	<hr/>

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 Fairey Group plc, the company has taken advantage of the exemption contained in FRS8 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 Fairey Group plc, within which this company is included, can be obtained from the address given in note 22.

Goodwill and negative goodwill

Purchased goodwill (both positive and negative) arising on business combination in respect of acquisitions before 1 January 1998, when FRS 10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

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.

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.

Notes (accounting policies continued)

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 Fairey Group plc (see note 22).

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. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

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.

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.

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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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>	2000	1999
	£'000	£'000
Analysers	11,049	8,532
Transducers	2,675	-
	<hr/>	<hr/>
Total sales	13,724	8,532
	<hr/>	<hr/>

As described in the directors' report a section of the business traded as Servomex Transducers Limited for nine months of 1999. During that period, Servomex Transducers Limited had a turnover of £3,459.

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

Notes (continued)

3. Analysis of exceptional costs

	Ordinary Costs £'000	2000 Exceptional Costs £'000	Total Costs £'000	Ordinary Costs £'000	1999 Exceptional Costs £'000	Total Costs £'000
Turnover	13,724	-	13,724	8,532	-	8,532
Change in stocks of finished goods and work in progress	(243)	-	(243)	90	-	90
Other operating income	-	-	-	972	-	972
Raw materials and consumables	(4,723)	-	(4,723)	(4,335)	-	(4,335)
Staff costs	(5,161)	-	(5,161)	(4,169)	(410)	(4,579)
Depreciation and other amounts written off tangible fixed assets	(524)	-	(524)	(352)	-	(352)
Other operating charge	(3,692)	(176)	(3,868)	(1,318)	(358)	(1,676)
Operating loss	(619)	(176)	(795)	(580)	(768)	(1,348)

The Exceptional costs relate to payments/expenses relating to Robert Kydd and Kevin Jowett from July 2000 (£71,000), outstanding commitments relating to their contracts (£55,000) and potential legal costs relating to Melvin Platte (£50,000)

4. Loss on ordinary activities before taxation

	2000 £'000	1999 £'000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	45	49
Other services – fees paid to the auditor and its associates	5	4
Exchange losses	14	5
Hire of plant and machinery - rentals payable under operating leases	-	48
Hire of other assets - operating leases	285	204
Research and development expenditure	1,053	676
<i>After crediting</i>		
Exchange gains	(3)	(20)

Notes (continued)

5. Remuneration of directors

	2000 £'000	1999 £'000
Directors' emoluments	579	387
Compensation for loss of office	579 230	387 96
	809	483

Melvin Platte was employed in the USA by Servomex Company Inc and received no remuneration from the company. Spencer Cheng was employed in Taiwan by Servomex Asia Pacific Ltd and received no remuneration from the company. Remuneration of other UK based directors not employed by the company in respect of their services to Servomex Group Ltd is shown in the financial statements of Servomex Ltd together with details of employer pension contributions.

The highest paid director was Lester Goodman. His basic salary in the year was £113,000, plus an overseas allowance of £50,000. These figures reflected the fact that he received no contributions into a pension scheme.

Following the resignation of Robert Kydd as director of the company on 22nd September 1999 it was agreed that he would continue to receive basic salary and certain benefits until the earlier of 21st Mar 2001 or the date he commences comparable permanent full-time employment.

The compensation for loss of office includes the estimated money value of P11D benefits at £23k

	Number of directors	
	2000	1999
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	5	9
The number of directors who exercised share options was	-	-

Notes (continued)

Shares and Share Options

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

	Shareholding in Fairey Group plc	Fairey Group plc Share Options								
		At 1.1.00 or appointment	Granted	Rights Issue	Exercised	Lapsed	At 31.12.00 or resignation	Exercise price	Date exercisable	Expiry Date
M Platte		6,607					6,607	677.6400p	Dec-00	Dec07
A Armitage		3,700		96			3,796	776.6660p	May-01	May08
			3,000	77			3,077	513.1832p	Mar-03	Mar-10
			5,000				5,000	525.0000p	Oct-03	Oct-10
S Cheng		3,700					3,700	395.1000p	Sep-01	Sep08
		2,907					2,907	677.6400p	Dec-00	Dec07
V Stevens	1,069	6,607		171			6,778	385.0190p	Sep01	Sep08
			3,000	77			3,077	513.1832p	Mar-03	Mar-10
			5,000				5,000	525.0000p	Oct-03	Oct-10
K Thomas	81	3,700		96			3,796	519.9867p	Apr-99	Apr04
			3,000	77			3,077	513.1932p	Mar-03	Mar-10
			5,000				5,000	525.0000p	Oct-03	Oct-10
R Wang		6,607					6,607	822.9300p	Apr-01	Apr08
		3,645					3,645	822.9300p	Apr-01	Apr08
		2,962					2,962	624.2900p	Apr-98	Apr03
L Goodman	30,000	10,000		259			10,259	379.1610p	Mar-98	Mar05
		7,000		181			7,181	618.9389p	Oct-00	Oct07
		7,000		181		-7,181	0	5.0000p	Mar-01	Oct04
		10,000		259			10,259	238.8032p	Sep-01	Sep08
		10,000		259			10,259	5.0000p	Mar-02	Sep05
			15,000				15,000	525.0000p	Oct-03	Oct-10
M Langridge			5,000				5,000	525.0000p	Oct-03	Oct-10
R Kocache *	104,254	6,607		171			6,778	660.5005p	Dec-00	Dec07
			3,000	77			3,077	513.1932p	Mar-03	Mar-10
			7,000				7,000	525.0000p	Oct-03	Oct-10

* Includes share-holdings belonging to wife and children's trust

Notes (continued)

6. 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	
	2000	1999
Production & Distribution	90	120
Other	103	97
	<u>193</u>	<u>217</u>

The aggregate payroll costs of these persons were as follows

	2000	1999
	£'000	£'000
Wages and salaries	4,505	3,697
Social security costs	394	379
Other pension costs	262	93
Exceptional pension costs	-	410
	<u>5,161</u>	<u>4,579</u>

The exceptional pension costs arise from additional funding made by the company following an actuarial valuation during 1999. See also note 21.

7. Income from other fixed asset investments

	2000	1999
	£'000	£'000
Dividend received from Servomex International Limited	-	636
	<u>-</u>	<u>636</u>

8. Interest payable and similar charges

	2000	1999
	£'000	£'000
Finance charges payable in respect of finance leases and hire purchase contracts	40	19
Net interest payable to group companies	10	-
	<u>50</u>	<u>19</u>

Notes (continued)

9. Taxation

	2000 £'000	1999 £'000
UK corporation tax credit at 30 % (1999 : 30.25 %)	210	279
Adjustment in respect of prior periods	144	-
	<u>354</u>	<u>279</u>

10. Tangible fixed assets

	Land and Buildings Freehold £'000	Land and Buildings Leasehold £'000	Plant and Machinery £'000	Total £'000
Cost				
At beginning of year	88	702	4,898	5,688
Additions	-	-	512	512
Disposals	-	-	(1,135)	(1,135)
	<u>88</u>	<u>702</u>	<u>4,275</u>	<u>5,065</u>
At end of year	88	702	4,275	5,065
Depreciation				
At beginning of year	(25)	(309)	(3,814)	(4,148)
Charge for year	(13)	(121)	(390)	(524)
Disposals	-	-	979	979
	<u>(38)</u>	<u>(430)</u>	<u>(3,225)</u>	<u>(3,693)</u>
At end of year	(38)	(430)	(3,225)	(3,693)
Net book value				
At 31 Dec 2000	<u>50</u>	<u>272</u>	<u>1,050</u>	<u>1,372</u>
At 31 Dec 1999	<u>63</u>	<u>393</u>	<u>1,084</u>	<u>1,540</u>

Notes (continued)

11. Fixed asset investments

Investment in Subsidiary Undertaking

**Shares in
Group
Undertakings
£'000**

Cost and Net Book Value

At 1 January 2000 and 31 Dec 2000

1,986

The companies in which the company's interest at the year-end is more than 20% are as follows:

	Country of Incorporation	Principal Activity	Class and Percentage of shares Held
<i>Subsidiary undertakings</i>			
Servomex International Limited	England	Engineering, Sales & service	Ordinary 100%

12. Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	829	680
Work in progress	401	597
Finished goods and goods for resale	90	161
	1,320	1,438

13. Debtors

	2000 £'000	1999 £'000
Trade debtors	1,143	1,166
Amounts owed by group undertakings	1,328	14,115
Taxation and social security	491	-
Other debtors	201	428
Prepayments and accrued income	183	31
	3,346	15,740

Debtors include no prepayments and accrued income due after more than one year (1999: £ nil).

Notes (continued)

14. Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Obligations under finance leases and hire purchase contracts	-	44
Trade creditors	1,754	1,117
Amounts owed to group undertakings	2,074	14,637
Taxation and social security	70	175
Other creditors	394	103
Accruals and deferred income	113	210
	<u>4,405</u>	<u>16,286</u>

15. Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
The maturity of obligations under finance leases and hire purchase contracts due in less than 5 years	-	137
	<u>-</u>	<u>137</u>

16. Provisions for liabilities and charges

	Other provisions £'000	Total £'000
At beginning of year	411	411
Charge for the year	227	227
Releases for the year	(101)	(101)
Utilised in the year	(211)	(211)
	<u>326</u>	<u>326</u>
At end of year	326	326

Breakdown of Other Provisions: Product Warranty £265k (1999: £188k), pre-paid contract £58k (1999: £93k), other overheads £3k (1999: £130k).

Notes (continued)

17. Called up share capital

	2000 £'000	1999 £'000
<i>Authorised</i>		
Equity: Ordinary shares of £ 1 each	5,000	5,000
	<hr/>	<hr/>
	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/>
	4,426	4,426
	<hr/>	<hr/>

18. Reserves

	Profit and loss account £'000
At beginning of year	(472)
Retained profit for the year	(491)
	<hr/>
At end of year	(963)
	<hr/>

19. Contingent liabilities

The company has outstanding bank guarantees at 31 December 2000 to the value of £163,342.

With other members of the Group, the company has guaranteed facilities made available to Fairey Group plc, in respect of which the following amounts were outstanding at 31 December 2000:- Senior Loan Notes \$100,000,000 (1999: £100,000,000).

Notes (continued)

20. Commitments

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

	2000 £'000	1999 £'000
Contracted	165	70

b) Annual commitments on operating leases are:

	2000		1999	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	14	-	-
In the second to fifth years inclusive	-	153	-	136
Over five years	130	-	130	-
	<u>130</u>	<u>167</u>	<u>130</u>	<u>136</u>

21. Pension scheme

The company participates in a defined benefit pension scheme and a defined contribution scheme, operated by Fairey Group plc, which provides retirement and death benefits for the majority of employees and directors. Details of the scheme are disclosed in the financial statements of Fairey Group plc.

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

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

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