Spectron Group plc
and subsidiary undertakings

Report and Financial Statements

31 December 2005

Registered No: 4195718

Directors

D Tullett	(Chairman)
A S Stephens	(Chief Executive Officer)
G S Bennett	(Chief Financial Officer)
J W G Evans	
S F Davidson	
B Tracy	
F Swarting	
T G C Kalborg	
R J M Rawe	

Secretary
G S Bennett

Auditors
Nexia Smith & Williamson
Chartered Accountants
25 Moorgate
London
EC2R 6AY

Taxation and Business Advisers
Smith & Williamson
Chartered Accountants
25 Moorgate
London
EC2R 6AY

Bankers
HSBC Bank plc
83 Pall Mall
London
SW1Y 5ES

Solicitors
Jones Day
21 Tudor Street
London
EC4Y 0DJ

Registered Office
4 Grosvenor Place
London
SW1X 7DL

Directors' report

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 December 2005.

Principal activities and business review

The principal activity of the company is to act as the holding company of the Spectron group of companies. The activities of these subsidiary companies and accordingly the group are that of arranging transactions in contracts for natural gas, electricity, environmental products, metals, coal, weather, crude and oil products on behalf of clients. Many of these transactions are arranged on Spectron's electronic market places.

On 21 February 2005 the company sold Spectron GmbH, to its subsidiary company Spectron Energy Services Limited as part of a Group reorganisation

On 1 July 2005 Spectron Oil Limited commenced trading. The principal activity of the company was the arranging of transactions in crude and products on behalf of clients

The group, through the subsidiary Spectron Services Limited, continued to expand its activities in 'non-transaction' based services. These 'non-transaction' services primarily consist of data sales.

The directors expect the general level of activity to continue in the foreseeable future.

The subsidiary and associated undertakings principally affecting the profits or net assets of the group in the year are listed in note 12 to the financial statements.

Share buy-back

Further to the resolutions dated 13 July 2005, the company purchased 6,530 ordinary shares with a nominal value of £653 and representing 1% of the company's ordinary share capital for a consideration of £98,930 (£15.15 per share).

Financial risk management

Foreign exchange risk

The group's major transactional exposures are to US dollar and Euro inflows into the UK.

The group's exposure to transactional (or non structural) foreign exchange risks i.e. those arising from transactions that are not denominated in the operating (or 'functional') currency of each reporting unit is managed where possible by matching revenues with costs in the same currencies. Surplus revenues and assets are currently not hedged.

The group has historically taken the decision that the costs outweigh the benefits of hedging this transactional foreign exchange exposure. This is because the group is exposed to relatively stable currencies i.e. the US dollar and the Euro and in the opinion of the company the transaction values of these currencies is currently not significant enough to warrant entering into derivative contracts.

This policy will be monitored actively and may be revised should the values of non sterling denominated transactions increase substantially within the UK operations. Formal Board approval would be required for any such change.

Interest rate risk

The group currently does not have any borrowings. The company's interest rate exposure is therefore related to monies held on current, deposit and money market accounts. The group has historically taken the decision to accept the risk of reduced returns on cash balances resulting from falling interest rates and the group does not intend to change this policy in the immediate future.

Directors' report

Cash flow risk

The cash flow risk of the group is predominantly impacted by the highly regulated industry in which we operate in the UK. The Financial Services Authority ("FSA") operates strict rules with regards to the maintenance of minimum net capital requirements. Under these rules our regulated entities must hold liquid assets, being primarily cash and short term commission receivables in excess of our financial resources requirement. Our financial resources requirement is calculated as 25% of our annual relevant expenditure in addition to reserves for credit risk, position risk and liquidity risk.

Our ability to withdraw capital from our regulated subsidiaries is therefore subject to restrictions which can therefore limit our ability to pay dividends, buy-back shares or finance any debt instruments.

We are not able to control changes to the current regulatory regime in which we operate nor can we control the introduction of regulatory regimes in our businesses that are currently unregulated.

The group remains cash generative and historically the group has a close correlation between cash and profit. The operating cash generation ratio (defined as cash inflow for operating activities before exceptional items, over group operating profit) from 2003 to 2005 has been 112%, 95% and 104% respectively.

During 2005 the group has made significant investments in the future growth of the company. These investments are amortised over the contract length of the asset and therefore the cash and profit can take up to 3 years to maintain the historic correlation of the group. These investments in growth may impact the resources available to the group and should expenses increase faster than our revenues, our operating margins, profitability and consequently cash flow may be adversely affected.

The group is in the process of adopting a formal dividend and investment policy in order to mitigate the cash flow risk of the group.

Liquidity risk

The group only conducts business on an agency basis and therefore it does not consider primary liquidity risk to be a material risk to the conduct of its business. The group is not involved in taking matched or unmatched principal positions and therefore it is not subject to the primary liquidity risk of realising unmatched principal positions.

The performance of the group can be affected by the liquidity of the markets in which it operates, however this secondary liquidity risk is to a large extent beyond our control. The group manages this risk by having a diverse portfolio of broking desks as well as expanding its services in areas, such as data and marketing services, which have a significantly reduced exposure to the liquidity of the markets in which the group operates.

Directors' report

Credit risk

The group does not consider credit risk to be a material risk to the group. As we provide only agency services to our clients we are not subject to credit risk on large matched or unmatched principal positions. In agency transactions we charge a commission, based on volumes, for introducing buyers and sellers in a variety of commodities and assisting in the negotiation of price, volume and other material aspects of the transaction.

We are therefore exposed to the credit risk of the commissions we bill to clients for these services. These commission receivables may not be collected primarily due to the bankruptcy of a client. Furthermore delays in the collection of receivables may also occur due to a wide variety of other reasons, including but not limited to disputes over trade data and operational failure.

We believe that the inherent risk of bankruptcy is currently low for several reasons:

- We predominantly operate in the over-the-counter wholesale commodity markets and therefore the vast majority of our clients are large multinational utilities, oil and gas groups and banking groups.
- Over 70% of our business is conducted in the UK and a significant part of the UK operations is regulated by the FSA which has strict capital adequacy requirements.
- We are performing agency services between two parties who are willing to conduct business with each other and take significant principal positions with each other.

Nevertheless, the group has a wide variety of procedures and controls in place to ensure the efficient collection of receivables. The main areas of focus are procedures and controls to ensure the accuracy, completeness and timeliness of both the capture and confirmation of trade data, the issue of commission brokerage invoices as well as the enforcement of credit terms and collection of commission receivables after the issue of invoices.

Our credit risk profile and risk mitigation program will remain under constant review primarily due to the increasing presence of hedge funds in the commodity trading industry.

Results and dividends

The audited financial statements for the year ended 31 December 2005 are set out on pages 9 to 24. The group profit for the year, after taxation, exceptional items and minority interests, was £1,837,000 (2004 - £2,105,000).

The directors recommend the payment of a final dividend 100.00p (2004 – 95.78p). The interim dividend of 59.86p (2004 - 69.44p) paid on 22 August 2005 make a total of 159.86p (2004 - 232.22) for the year.

Directors' report

Directors and their interests

The directors who served during the year were as follows:

Executive

A S Stephens	
B Tracy	
F Swarting	
J W G Evans	(appointed 1 January 2005)
G S Bennett	(appointed 7 February 2005)
S F Davidson	(appointed 23 May 2006)
Non Executive	
D Tullett	(appointed 2 May 2006)
R J M Rawe	
T G C Kalborg	
Lord C B Moynihan	(resigned 14 December 2005)

Share Capital

The directors at 31 December 2005 had the following interests in the share capital of the company:

		2005		*2004*
Director	*Number of ordinary shares held*	*Percentage of issued ordinary shares*	*Number of ordinary shares held*	*Percentage of issued ordinary shares*
Executive				
A S Stephens	207,150	25%	201,870	24%
B Tracy	118,550	14%	118,550	14%
F Swarting	56,990	7%	56,990	7%
J W G Evans	29,656	4%	29,656	4%
G S Bennett	2,220	–	900	–
Non executive				
T G C Kalborg	81,225	10%	81,225	10%
R J M Rawe	58,335	7%	58,335	7%

Share Options

The Group has no share option schemes by which directors are able to subscribe for ordinary shares in the company.

Charitable and political donations

During the year the group made charitable donations of £122,000 (2004 - £85,000). There were no political contributions (2004 - £nil).

Directors' report

Auditors

After the year end our auditors, Nexia Audit Limited, changed their name to Nexia Smith & Williamson. A resolution to reappoint the auditors, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting.

By order of the board

G S Bennett
Secretary
13 July 2006

Statement of directors' responsibilities in respect of the financial statements

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 group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the shareholders of Spectron Group plc

We have audited the group and company financial statements of Spectron Group plc for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows, and the related notes 1 to 21. These financial statements have been prepared on the basis of 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 auditors' 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 the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom 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 transactions with the group 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the group as at 31 December 2005 and of the profit of the group for the year then ended;

- and have been properly prepared in accordance with the Companies Act 1985.

Nexia Smith & Williamson

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors

25 Moorgate
London
EC2R 6AY

13 July 2006

Consolidated profit and loss account

for the year ended 31 December 2005

	Notes	2005 £000	2004 (restated) £000
Turnover	2	22,771	18,014
Administrative expenses		(20,352)	(15,678)
Other income		11	16
Operating profit		2,430	2,352
Share of associates operating profit		5	62
Profit on sale of fixed asset investment		–	794
Interest receivable	3	203	125
Profit on ordinary activities before taxation	4	2,638	3,333
Tax on profit on ordinary activities	7	(832)	(1,228)
Profit on ordinary activities after taxation		1,806	2,105
Minority interests		31	–
Profit for the financial year	16	1,837	2,105

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2005

	2005 £000	2004 £000
Profit for the financial year	1,837	2,105
Gain/(loss) on foreign currency translation	252	(168)
Total recognised gain relating to the year	2,089	1,937

Consolidated balance sheet

at 31 December 2005

	Notes	*2005* £000	*2004 (restated)* £000
Fixed assets			
Goodwill	10	–	11
Tangible assets	11	642	602
Investment in associate	12	25	115
Other investments	12	63	62
		730	790
Current assets			
Debtors	13	6,093	3,433
Cash at bank		5,095	5,613
		11,188	9,046
***Creditors*:** amounts falling due within one year	14	(5,131)	(3,714)
Net current assets		6,057	5,332
Net assets		6,787	6,122
Capital and reserves			
Called up share capital	15	83	84
Merger reserve	16	516	516
Capital redemption reserve	16	12	11
Other reserve	16	99	99
Profit and loss account	16	6,108	5,412
Equity shareholders' funds	17	6,818	6,122
Minority interest		(31)	–
	17	6,787	6,122

Company balance sheet
at 31 December 2005

	Notes	2005 £000	2004 (restated) £000
Fixed assets			
Investments	12	3	3
Current assets			
Debtors	13	64	1,011
Cash at bank and in hand		143	171
		207	1,182
***Creditors*:** amounts falling due within one year	14	(3)	(66)
Net current assets		204	1,116
Net assets		207	1,119
Capital and reserves			
Called up share capital	15	83	84
Capital redemption reserve	16	12	11
Profit and loss account	16	112	1,024
Equity shareholders' funds		207	1,119

The financial statements were approved by the board of directors on 13 July 2006 and signed on its behalf by:

A S Stephens
Director

Consolidated cash flow statement

for the year ended 31 December 2005

	Notes	2005 £000	2004 £000
Net cash inflow from operating activities	18(a)	2,533	2,223
Dividends received from associate		–	54
Net cash inflow		2,533	2,277
Returns on investments and servicing of finance			
Interest received		203	106
Net cash inflow		203	106
Taxation			
UK corporation tax paid		(1,010)	(702)
Overseas tax (paid)/refunded		(409)	79
Net cash outflow		(1,419)	(623)
Capital expenditure and financial investment			
Sale of fixed asset investments		–	851
Purchase of tangible fixed assets		(423)	(353)
Net cash (outflow) / inflow		(423)	498
Equity dividends paid		(1,313)	(1,327)
Cash (outflow)/inflow before financing		(419)	931
Redemption of ordinary shares		(99)	(110)
Net cash outflow		(99)	(110)
(Decrease)/increase in cash in the year	18(b)	(518)	821

Notes to the financial statements

at 31 December 2005

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

Basis of accounting

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

Basis of consolidation

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the group financial statements, associates are accounted for using the equity method.

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over an estimate of the useful economic life, which is assumed to be three years. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

Leasehold improvements	-	Term of lease
Fittings and office equipment	-	3 years
Computer and communication equipment	-	3 years

Residual value is calculated on prices prevailing at the date of acquisition. The carrying value of tangible assets are reviewed for impairment when events or changes to circumstances indicate that the carrying value may not be recoverable.

Prior year adjustment

The prior year figures have been restated to reflect the change in the dividend disclosures in order to comply with Financial Reporting Standard 21 "Events after the balance sheet date" (FRS21). In previous years the dividends had been accounted for under the accruals basis, with proposed dividends charged in the year the dividend related to. However, under FRS 21 dividends are only recognised once they have been formally approved at the AGM, which has resulted in a prior year adjustment as set out in the subsequent notes.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Notes to the financial statements

at 31 December 2005

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided for on a full provision basis on all timing differences that have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets. Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Any assets and liabilities recognised have not been discounted

Sign on bonuses

Sign-on bonuses are amortised over the term of the related employment agreement which is generally 2 to 3 years. These employment agreements typically contain repayment or forfeiture provisions. Should the employee voluntarily terminate his or her employment agreement or if the employment agreement is terminated for cause during the initial term of the contract then the group is entitled to the full or partial repayment of these sign-on bonuses.

Foreign currency

Transactions 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 at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on the translation of the opening net asset and on foreign currency borrowings are dealt with through reserves. All other exchange differences are included in the profit and loss account.

Leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Notes to the financial statements

at 31 December 2005

2. Turnover and segmental analysis

Turnover primarily represents transaction fees receivable for arranging transactions in contracts for natural gas, electricity, environmental products, metals, coal, weather, crude and oil products on behalf of clients. Turnover is stated net of trade discounts, VAT and other sales related taxes.

The Group operates within three geographical markets, that of Europe, the United States of America and Asia.

Geographical segments:

	United Kingdom		*Asia*		*USA*		*Group*	
	2005	*2004*	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Turnover by origin	16,237	13,345	1,234	1,662	5,300	3,007	22,771	18,014

3. Interest receivable

	2005	*2004*
	£000	*£000*
Investment income		
Interest receivable and similar income	203	125

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2005	*2004*
	£000	*£000*
Depreciation and amounts written off tangible fixed assets		
- owned	398	169
- held under finance lease	–	107
Amortisation of goodwill	63	78
Operating lease rentals		
- plant and machinery	12	10
- other	775	622
Auditors' remuneration		
- audit	37	35
- non audit services (paid to related companies of the auditors)	10	9

All audit fees are borne by Spectron Services Limited, a subsidiary of Spectron Group plc

Notes to the financial statements

at 31 December 2005

5. Staff costs

The average monthly number of employees (including executive directors) was:

	2005	*2004*
	No.	*No.*
	120	104

	2005	*2004*
	£000	*£000*
The aggregate remuneration comprised:		
Wages and salaries	10,589	8,404
Social security costs	1,355	1,076
	11,944	9,480

6. Directors' remuneration, interests and transactions

Remuneration

The remuneration of the directors was as follows:

	2005	*2004*
	£000	*£000*
Emoluments	700	754

In addition to these amounts 2 directors (2004 - 2) were paid £507,433 (2004 - £181,667) in respect of services performed as employees of subsidiary undertakings.

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2005	*2004*
	£000	*£000*
Emoluments	390	363

7. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2005	*2004*
	£000	*£000*
Corporation tax at 30%	707	920
	707	920
Overseas taxation	125	308
	832	1,228

Notes to the financial statements
at 31 December 2005

7. Tax on profit on ordinary activities (continued)

(b) Factors affecting the charge for the year

	2005	*2004*
	£000	*£000*
Profit on ordinary activities before tax	2,638	3,333
Less: share of associates profit before tax	(6)	(62)
	2,632	3,271
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30%	790	981
Effects of:		
Expenses not deductible for tax purposes	76	134
Effect of different tax rates on overseas earnings	(31)	76
Prior period adjustments	-	19
Group current tax charge for the year	835	1,210
Share of associate tax	(3)	18
Total tax on profit on ordinary activities	832	1,228

8. Result attributable to Spectron Group plc

The profit for the financial year in the financial statements of the parent company, Spectron Group plc, was £500,000 (2004 - £1,824,000).

9. Equity dividends paid

	2005	*2004*
		(restated)
	£000	*£000*
Prior year final dividend of 95.78p per ordinary share	800	200
Prior year interim dividend of 69.44p per ordinary share	13	–
Interim dividends paid of 59.86p per ordinary share (2004 – 136.44p)	500	1,127
	1,313	1,327

The 2004 dividends have been restated in accordance with FRS 21 whereby final dividends proposed are no longer accrued and are recorded in the following year.

The board recommends the payment of a final dividend of 100.00p per share. This will be paid, subject to shareholders approval in 2006 to those shareholders on the register and will be recorded in the financial statements for the year ending 31 December 2006.

Notes to the financial statements

at 31 December 2005

10. Goodwill

	Goodwill £000
Cost:	
At 1 January 2005	137
At 31 December 2005	137
Amortisation:	
At 1 January 2005	(126)
Charge for the year	(11)
At 31 December 2005	(137)
Net book value:	
At 31 December 2005	–
At 31 December 2004	11

Goodwill relates to the acquisition of the remaining 1% of Spectron Energy Services Limited (formerly Spectron Live.com Limited) by Spectron Services Limited in 2003. Goodwill is being amortised over a period of 3 years.

11. Tangible fixed assets

Group

	Leasehold improvements £000	Fixtures and fittings £000	Computer and communi -cation equipment £000	Total £000
Cost or valuation:				
At 1 January 2005	399	669	1,811	2,879
Additions	77	63	283	423
Exchange adjustment	18	5	38	61
At 31 December 2005	494	737	2,132	3,363
Depreciation:				
At 1 January 2005	243	636	1398	2,277
Charge for the year	116	51	232	399
Exchange adjustment	9	5	31	45
At 31 December 2005	368	692	1,661	2,721
Net book value:				
At 31 December 2005	126	45	471	642
At 31 December 2004	156	33	413	602

Notes to the financial statements

at 31 December 2005

12. Fixed asset investments

	2005		2004	
	Group	*Company*	*Group*	*Company*
	£000	*£000*	*£000*	*£000*
Subsidiary undertakings	–	3	–	3
Associates	25	–	115	–
Other investments	63	–	62	–
	88	3	177	3

The parent company and group have investments in the following subsidiary undertakings, associates and other investments. To avoid a statement of excessive length, details of investments that are not significant have been omitted.

Subsidiary undertakings and associates

Subsidiary undertakings	*Country of incorporation*	*Principal activity*	*%*
Spectron Commodities Ltd	Great Britain	Arranger of energy contracts	100%
Spectron Energy Asia Pte. Ltd	Singapore	Service company	100%
Spectron Energy Inc.	USA	Arranger of energy contracts	100%
Spectron Energy International Ltd	British Virgin Islands	Arranger of energy contracts	100%
Spectron Energy Services Ltd	Great Britain	Arranger of energy contracts	100%
Spectron Futures Ltd	Great Britain	Arranger of energy contracts	100%
Spectron GmbH	Germany	Service company	100%
Spectron Oil Ltd	Great Britain	Arranger of energy contracts	85%
Spectron Services Ltd	Great Britain	Intermediate holding company	*100%
KMR Ltd	Great Britain	Intermediate holding company	*100%

Associates	*Country of incorporation*	*Principal activity*	*%*
Eclipse Energy Group AS	Norway	Consulting	34.5%

*100% directly held by Spectron Group plc

Associates

	Group	*Company*
	£	£
Share of net assets/costs		
At 1 January 2005	62	–
Share of retained profit for the year	7	–
Dividends paid 2005	(44)	-
At 31 December 2005	25	–
Goodwill		
At 1 January 2005	53	
Amortisation	(53)	
At 31 December 2005	–	
Net book value	25	

Notes to the financial statements

at 31 December 2005

12. Fixed asset investments (continued)

Other investments

This represents the cost of the Group's holding of 273,440 A shares in Intercontinental Exchange Inc held by the subsidiary Spectron Futures Limited and a $10,000 cash investment in the Energy Brokers Association ("EBA").

The EBA is a trade association launched in November 2003 whose primary objective is to assist the energy trading industry with addressing current issues and enhancing the energy markets.

In the opinion of the directors, the value of these investments are not less than the amount at which they are stated in the balance sheet.

13. Debtors

		2005		*2004*
	Group	*Company*	*Group*	*Company*
	£000	*£000*	*£000*	*£000*
Trade debtors	4,512	–	2,755	–
Amounts owed by group undertakings	169	64	–	10
Other debtors	220	–	333	–
Prepayments and accrued income	1,192	–	345	1,001
	6,093	64	3,433	1,011

14. Creditors: amounts falling due within one year

		2005		*2004*
	Group	*Company*	*Group (restated)*	*Company (restated)*
	£000	*£000*	*£000*	*£000*
Amounts owed to group undertakings	–	3	–	66
Corporation tax payable				
- UK	244	–	526	–
- Overseas	–	–	117	–
Other creditors including taxation and social security	1,064	–	569	–
Accruals and deferred income	3,823	–	2,502	–
	5,131	3	3,714	66

Notes to the financial statements

at 31 December 2005

15. Called up share capital

	2005 No.	2004 No.	2005 £'000	2004 £'000
Authorised:				
Ordinary shares of 10p each (2004 – 10p)	200m	200m	20,000	20,000
Allotted, called up and fully paid				
Ordinary shares of 10p each (2004 – 10p)	828,690	835,220	83	84

Further to the resolutions dated 13 July 2005, the Company purchased 6,530 ordinary shares with a nominal value of £653 and representing 1% of the Company's ordinary share capital for a consideration of £98,930 (£15.50 per share).

Options have been granted, to a third party corporation, under share option schemes to subscribe for ordinary shares of the Company as follows:

Subscription price per share	*Exercise dates*	*At 31 Dec 2004 No.*	*Granted during the period No.*	*At 31 Dec 2005 No.*
£18.26	*	43,844	–	43,844
£15.98	**	50,000	–	50,000
		93,844	–	93,844

* These options are only exercisable on or before the date of an exit event (sale, change in control or IPO).

** These options are only exercisable on the date of occurrence of an exit event (sale, change in control or IPO).

Notes to the financial statements

at 31 December 2005

16. Reserves

	Merger reserve	Other reserve	Capital redemption reserve	Profit and loss account (restated)	Total (restated)
	£000	£000	£000	£000	£000
Group					
At 1 January 2005 as previously stated	516	99	11	4,618	5,244
Prior year adjustment	–	–	–	813	813
At 1 January 2005	516	99	11	5,431	6,057
Gain on foreign currency translation	–	–	–	252	252
Share buy back	–	–	1	(99)	(98)
Retained profit for the year	–	–	–	1,837	1,837
Dividends paid	–	–	–	(1,313)	(1,313)
At 31 December 2005	516	99	12	6,108	6,735

	Capital redemption reserve	Profit and loss account (restated)	Total (restated)
	£000	£000	£000
Company			
At 1 January 2005 as previously stated	11	211	222
Prior year adjustment	–	813	813
At 1 January 2005	11	1,024	1,035
Share buy back	1	(99)	(98)
Retained profit for the year	–	500	500
Dividends paid	–	(1,313)	(1,313)
At 31 December 2005	12	112	124

Share buy-back

Further to the resolutions dated 13 July 2005, the Company purchased 6,530 ordinary shares with a nominal value of £653 and representing 1% of the Company's ordinary share capital for a consideration of £98,930 (£15.15 per share).

Notes to the financial statements

at 31 December 2005

17. Reconciliation of movements in group equity shareholders' funds

	2005	2004 (restated)
	£000	£000
Opening shareholders' funds – as previously stated	6,141	5,440
Prior year adjustment	–	200
Opening shareholders' funds - restated	6,141	5,640
Profit for the financial year	1,837	2,105
Equity dividends paid	(1,313)	(1,327)
Gain/(loss) on foreign currency translation	252	(168)
Minority Interest	(31)	–
Buyback of ordinary shares – by Spectron Group plc	(99)	(109)
Net addition to shareholders' funds	665	501
Closing shareholders' funds	6,787	6,141

18. Notes to the consolidated cash flow

(a) Reconciliation of operating profits operating cash flows

	2005	2004
	£	£
Operating profit (before exceptional item)	2,430	2,352
Depreciation charges	398	276
Amortisation of goodwill	63	78
Increase in debtors	(2,174)	363
Increase in creditors	1,816	(846)
Net cash inflow from operating activities	2,533	2,223

(b) Analysis and reconciliation of net funds

	1 January 2005	Cash flow	31December 2005
	£000	£000	£000
Cash at bank	5,613	(518)	5,095

	2005	2004
	£000	£000
(Decrease)/increase in cash in the year	(518)	821
Net cash at 1 January 2005	5,613	4,792
Net cash at 31 December 2005	5,095	5,613

Notes to the financial statements

at 31 December 2005

19. Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

		2005		*2004*
	Land and buildings	*Other*	*Land and buildings*	*Other*
	£000	*£000*	*£000*	*£000*
Group				
Expiry date				
- within one year	–	9	–	1
- between two and five years	768	10	648	9
	768	19	648	10

20. Post balance sheet events

Following the Initial Public Offering of the Intercontinental Exchange Inc ("ICE") and the expiration of any sale restrictions on the common stock of ICE the group sold its entire shareholding in two tranches, during 2006, for cash proceeds of £1.9m.

21. Related party transactions

During the year Spectron Oil Limited purchased services from fellow subsidiary undertakings, at a cost of £660,00. Spectron Oil Limited owes these fellow subsidiary undertakings £519,000 in relation to these services and the provision of working capital loans.