4195718

Spectron Group plc
and subsidiary undertakings

Report and Financial Statements

31 December 2006

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
David Venus and Company LLP
42-46 High Street
Esher, Surrey
KT10 9QY

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
Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh
EH2 2YB

Solicitors
Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ

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 2006

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

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

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 £1,953,000, making a gain of £1,897,000

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

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 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

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

Directors' report

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 2004 to 2006 has been 95%, 104% and 128% respectively

During 2005 and 2006 the group has made significant investments in the future growth of the group These investments are amortised and therefore the financial statements include certain non-operating costs that will affect the overall profitability of the group

The group has adopted 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
- 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 2006 are set out on pages 9 to 23 The group profit for the year, after taxation, exceptional items and minority interests, was £3,540,000 (2005 - £1,837,000)

The directors do not recommend the payment of a final dividend (2005 – 100 00p) Interim dividends totaling 224 76p (2005 – 59 86p) were paid on 02 May 2006 and 17 November 2006 to make a total of 224 76p (2005 – 159 86) for the year

Directors' report

Directors and their interests

The directors who served during the year were as follows

Executive
A S Stephens
G S Bennett
J W G Evans
S F Davidson
B Tracy
F Swarting

Non Executive
D Tullett
T G C Kalborg
R J M Rawe

Share Capital

The directors at 31 December 2006 had the following interests in the share capital of the company

Director	*Number of ordinary shares held*	*2006 Percentage of issued ordinary shares*	*Number of ordinary shares held*	*2005 Percentage of issued ordinary shares*
Executive				
A S Stephens	207,150	25%	207,150	25%
B Tracy	119,145	14%	119,145	14%
F Swarting	56,990	7%	56,990	7%
J W G Evans	29,656	4%	29,656	4%
G S Bennett	2,220	–	2,220	–
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 £133,000 (2005 - £126,000) There were no political contributions (2005 - £nil)

Policy on the payment of creditors

The group aims to clear all creditor payments at the end of the month following the invoice period, except where different terms agreed with individual suppliers result in accelerated payment terms At the year end the group had creditor days 19 94 (2005 28 94)

Directors' report

Statement regarding disclosure of information to the auditor

Each director of the company has confirmed that, in fulfilling their duties as a director, they are aware of no relevant audit information of which the company's auditors are not aware and that they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

A resolution to reappoint the auditors, Nexia Smith & Williamson, will be proposed at the next Annual General Meeting

By order of the board

J W G Evans
Director
25 July 2007

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 2006 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 20 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 2006 and of the profit of the group for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's Report is consistent with the accounts

Nexia Smith & Williamson

Nexia Smith & Williamson
Chartered Accountants
Registered Auditors
31 July 2007

25 Moorgate
London
EC2R 6AY

Consolidated profit and loss account

for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Turnover	2	30,524	22,771
Administrative expenses		(27,533)	(20,352)
Other income		21	11
Operating profit		3,012	2,430
Share of associates operating profit		60	5
Profit on sale of investment	3	1,897	–
Interest receivable	4	295	203
Profit on ordinary activities before taxation	5	5,264	2,638
Tax on profit on ordinary activities	8	(1,769)	(832)
Profit on ordinary activities after taxation		3,495	1,806
Minority interests		45	31
Profit for the financial year	16	3,540	1,837

Consolidated statement of total recognised gains and losses

for the year ended 31 December 2006

	2006 £000	2005 £000
Profit for the financial year	3,540	1,837
Loss/(gain) on foreign currency translation	(245)	252
Total recognised gain relating to the year	3,295	2,089

Consolidated balance sheet

at 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Tangible assets	11	637	642
Investment in associate	12	65	25
Other investments	12	6	63
		708	730
Current assets			
Debtors	13	7,520	5,924
Cash at bank		7,176	5,095
		14,696	11,019
Creditors: amounts falling due within one year	14	(8,059)	(4,962)
Net current assets		6,637	6,057
Net assets		7,345	6,787
Capital and reserves			
Called up share capital	15	83	83
Merger reserve	16	516	516
Capital redemption reserve	16	12	12
Other reserve	16	99	99
Profit and loss account	16	6,711	6,108
Equity shareholders' funds	17	7,421	6,818
Minority interest		(76)	(31)
	17	7,345	6,787

Company balance sheet

at 31 December 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Investments	12	3	3
Current assets			
Debtors	13	498	64
Cash at bank and in hand		28	143
		526	207
Creditors: amounts falling due within one year	14	(320)	(3)
Net current assets		206	204
Net assets		209	207
Capital and reserves			
Called up share capital	15	83	83
Capital redemption reserve	16	12	12
Profit and loss account	16	114	112
Equity shareholders' funds		209	207

The financial statements were approved by the board of directors on 25 July 2007 and signed on its behalf by

A S Stephens
Director

Consolidated cash flow statement

for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Net cash inflow from operating activities	18(a)	3,855	2,533
Returns on investments and servicing of finance			
Interest received		295	203
Net cash inflow		295	203
Taxation			
UK corporation tax paid		(1,068)	(1,010)
Overseas tax refunded/(paid)		134	(409)
Net cash outflow		(934)	(1,419)
Capital expenditure and financial investment			
Sale of investments		1,953	–
Purchase of tangible fixed assets		(396)	(423)
Net cash inflow/(outflow)		1,557	(423)
Equity dividends paid		(2,692)	(1,313)
Cash inflow/(outflow) before financing		2,081	(419)
Redemption of ordinary shares		-	(99)
Net cash outflow		-	(99)
Increase / (decrease) in cash in the year	18(b)	2,081	(518)

Notes to the financial statements

at 31 December 2006

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

Investments

Fixed asset investments are shown at cost less provision for impairment

Notes to the financial statements

at 31 December 2006

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 4 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 2006

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*	
	2006	*2005*	*2006*	*2005*	*2006*	*2005*	*2006*	*2005*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Turnover by origin	21,032	16,237	1,470	1,234	8,022	5,300	30,524	22,771

3. Exceptional Income

	2006	*2005*
	£000	*£000*
Profit on sale of investment	1,897	-

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 £1,953,000, making a gain of £1,897,000

4. Investment Income

	2006	*2005*
	£000	*£000*
Investment income		
Interest receivable and similar income	295	203

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2006	*2005*
	£000	*£000*
Depreciation and amounts written off tangible fixed assets		
- owned	377	398
Amortisation of goodwill	-	63
Operating lease rentals		
- plant and machinery	13	12
- other	758	775
Auditors' remuneration		
- audit	38	37
- taxation services	5	10

Notes to the financial statements

at 31 December 2006

5. Profit on ordinary activities before taxation (continued)

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

6. Staff costs

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

	2006	2005
	No	No
	140	120

	2006	2005
	£000	£000
The aggregate remuneration comprised		
Wages and salaries	19,023	14,845
Social security costs	2,253	1,832
	21,276	16,677

7. Directors' remuneration, interests and transactions

Remuneration

The remuneration of the directors was as follows

	2006	2005
	£000	£000
Emoluments	782	700

In addition to these amounts 2 directors (2005 – 2) were paid £749,558 (2005 - £507,433) 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

	2006	2005
	£000	£000
Emoluments	483	390

Notes to the financial statements

at 31 December 2006

8. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2006	*2005*
	£000	*£000*
Corporation tax	1,617	707
	1,617	707
Overseas taxation	152	125
	1,769	832

(b) Factors affecting the charge for the year

	2006	*2005*
	£000	*£000*
Profit on ordinary activities before tax	5,264	2,638
Less share of associates profit before tax	(60)	(6)
	5,204	2,632
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30%	1,561	790
Effects of		
Expenses not deductible for tax purposes	185	76
Effect of different tax rates on overseas earnings	17	(31)
Prior period adjustments	(14)	-
Group current tax charge for the year	1,749	835
Share of associate tax	20	(3)
Total tax on profit on ordinary activities	1,769	832

9. Result attributable to Spectron Group plc

The profit for the financial year in the financial statements of the parent company, Spectron Group plc, was £2,695,000 (2005 - £500,000)

10. Equity dividends paid

	2006	*2005*
	£000	*£000*
Prior year final dividend of 100 00p per ordinary share (2005 – 95 78p)	829	800
Interim dividends paid of 224 76p per ordinary share (2005 – 59 86p)	1,863	513
	2,692	1,313

Notes to the financial statements

at 31 December 2006

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 2006	494	737	2,132	3,363
Additions	42	18	337	397
Exchange adjustment	(20)	(68)	(13)	(101)
At 31 December 2006	516	687	2,456	3,659
Depreciation				
At 1 January 2006	368	692	1,661	2,721
Charge for the year	57	10	310	377
Exchange adjustment	(12)	(53)	(11)	(76)
At 31 December 2006	413	649	1,960	3,022
Net book value				
At 31 December 2006	103	38	496	637
At 31 December 2005	126	45	471	642

12. Fixed asset investments

	Group	*2006 Company*	*Group*	*2005 Company*
	£000	*£000*	*£000*	*£000*
Subsidiary undertakings	–	3	–	3
Associates	65	–	25	–
Other investments	6	–	63	–
	71	3	88	3

Notes to the financial statements

at 31 December 2006

12. Fixed asset investments (continued)

The parent company and group have investments in the following subsidiary undertakings, associates and other investments

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%
Spectron Metals Ltd	Great Britain	Arranger of energy contracts	100%
Spectron eMetals Ltd	Great Britain	Arranger of energy contracts	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 2006	25	–
Share of retained profit for the year	40	–
At 31 December 2006	65	–

Other investments

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 of 273,440 A shares in two tranches, during 2006, for cash proceeds of £1 9m

The remaining other investments represents 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 is not less than the amount at which they are stated in the balance sheet

Notes to the financial statements

at 31 December 2006

13. Debtors

		2006		2005
	Group	*Company*	*Group*	*Company*
	£000	*£000*	*£000*	*£000*
Trade debtors	5,851	–	4,512	–
Amounts owed by group undertakings	-	494	-	64
Other debtors	357	4	220	–
Prepayments and accrued income	1,312	–	1,192	–
	7,520	498	5,924	64

14. Creditors: amounts falling due within one year

		2006		2005
	Group	*Company*	*Group*	*Company*
	£000	*£000*	*£000*	*£000*
Amounts owed to group undertakings	–	320	–	3
Corporation tax payable				
- UK	792	–	75	–
- Overseas	118	–	–	–
Other creditors including taxation and social security	816	–	1,064	–
Accruals and deferred income	6,333	–	3,823	–
	8,059	320	4,962	3

Notes to the financial statements

at 31 December 2006

15. Called up share capital

	2006 No	2005 No	2006 £'000	2005 £'000
Authorised				
Ordinary shares of 10p each (2005 – 10p)	200m	200m	20,000	20,000
Allotted, called up and fully paid				
Ordinary shares of 10p each (2005 – 10p)	828,690	828,690	83	83

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 2005 No	Granted during the period No	At 31 Dec 2006 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)

16. Reserves

	Merger reserve £000	Other reserve £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
Group					
At 1 January 2006	516	99	12	6,108	6,735
Loss on foreign currency translation	–	–	–	(245)	(245)
Retained profit for the year	–	–	–	3,540	3,540
Dividends paid	–	–	–	(2,692)	(2,692)
At 31 December 2006	516	99	12	6,711	7,338

Notes to the financial statements

at 31 December 2006

16. Reserves (continued)

	Capital redemption reserve	Profit and loss account	Total
	£000	£000	£000
Company			
At 1 January 2006	12	112	124
Retained profit for the year	–	2,694	2,694
Dividends paid	–	(2,692)	(2,692)
At 31 December 2006	12	114	126

17. Reconciliation of movements in group equity shareholders' funds

	2006	2005
	£000	£000
Opening shareholders' funds	6,818	6,141
Profit for the financial year	3,540	1,837
Equity dividends paid	(2,692)	(1,313)
(Loss)/gain on foreign currency translation	(245)	252
Buyback of ordinary shares – by Spectron Group plc	-	(99)
Net addition to shareholders' funds	603	677
Closing shareholders' funds	7,421	6,818

18. Notes to the consolidated cash flow

(a) Reconciliation of operating profits to operating cash flows

	2006	2005
	£	£
Operating profit (before exceptional item)	3,012	2,430
Depreciation charges	377	398
Amortisation of goodwill	-	63
Increase in debtors	(1,796)	(2,174)
Increase in creditors	2,262	1,816
Net cash inflow from operating activities	3,855	2,533

Notes to the financial statements

at 31 December 2006

18. Notes to the consolidated cash flow (continued)

(b) Analysis and reconciliation of net funds

	1 January 2006 £000	*Cash flow £000*	*31December 2006 £000*
Cash at bank	5,095	2,081	7,176

	2006 £000	*2005 £000*
Increase/(decrease) in cash in the year	2,081	(518)
Net cash at 1 January 2006	5,095	5,613
Net cash at 31 December 2006	7,176	5,095

19. Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2006		*2005*	
	Land and buildings £000	*Other £000*	*Land and buildings £000*	*Other £000*
Group				
Expiry date				
- within one year	290	1	–	9
- between two and five years	227	11	768	10
- over five years	61	–	–	–
	578	12	768	19

20. Related party transactions

During the year Spectron Oil Limited purchased services from related parties and fellow subsidiary undertakings, at a cost of £1,819,000 (2005 £660,000) Spectron Oil Limited owes these fellow subsidiary undertakings £1,220,000 (2005 £519,000) in relation to these services and the provision of working capital loans

Spectron Oil has an agreement with MPI Consulting to provide the consulting services of David Kerr as a director During the year Spectron Oil purchased these services at a cost of £186,000 (2005 £69,000) Spectron Oil owes MPI Consulting £48,000 (2005 £9,000) in relation to these services