

**Beta Lasermike Limited**

**Directors' report and financial  
statements**

**Registered number 895810**

**For the year ended 31 December 2003**



## Contents

Directors' report	1
Directors' responsibilities	3
Independent auditors report to the members of Beta Lasermike Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

### Review of the business

The principal activity of the company during the year was the manufacture and sale of machinery, testing systems and instrumentation for use in the cable and extrusion industries.

The company has faced challenging trading conditions in 2003, which are expected to continue in 2004. The directors are optimistic of improved results in the future.

### Results and dividends

The loss after taxation for the year ended 31 December 2003 was £1,462,000 (2002: loss of 1,310,000). The full results are shown in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend (2002: £Nil).

### Directors

The directors who served during the year were as follows:

JC Webster  
S Hole  
P Fleming  
MC Keatley  
D Doster

### Directors' interests

The interests of Mr JC Webster in the shares of Spectris plc are disclosed in the financial statements of that company. The directors had the following interests, which are in respect of ordinary shares of 5p each in Spectris plc, the ultimate holding company:

	At 31.12.03	At 31.12.02
S Hole	3,222	-
P Fleming	7,222	-
MC Keatley	288	-
D Doster	-	-

At 31 December 2003, the directors held the following options in the shares of Spectris plc:

Directors	At 01.01.03	Granted	Exercised	At 31.12.03	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
<b>S Hole</b>	4,616	-	-	4,616	551p	-	Mar-01	Mar-08
	3,000	-	-	3,000	525p	-	Oct-03	Oct-10
	3,000	-	-	3,000	358p	-	Oct-04	Oct-11
	3,000	-	-	3,000	343p	-	Oct-05	Sep-12
SAYE	7,222	-	7,222	-	239p	430p	Dec-03	Jun-04
SAYE	-	1,969	-	1,969	469p	-	Dec-06	Jun-07
<b>P Fleming</b>	4,616	-	-	4,616	551p	-	Mar-01	Mar-08
	3,077	-	3,077	-	239p	430p	Sep-01	Sep-08
	5,000	-	-	5,000	525p	-	Oct-03	Oct-10
	5,000	-	-	5,000	358p	-	Oct-04	Oct-11
	3,000	-	-	3,000	343p	-	Sep-05	Sep-12
SAYE	7,222	-	7,222	-	239p	430p	Dec-03	Jun-04
<b>MC Keatley</b>	3,000	-	-	3,000	525p	-	Oct-03	Oct-10
	3,000	-	-	3,000	358p	-	Oct-04	Oct-11
SAYE	288	-	288	-	239p	430p	Dec-03	Jun-04
SAYE	510	-	-	510	396p	-	Dec-04	Jun-05
SAYE	221	-	-	-	525p	-	Dec-03	Jun-04
SAYE	551	-	-	551	343p	-	Dec-05	Jun-06
SAYE	-	393	-	393	469p	-	Dec-06	Jun-07
<b>D Doster</b>	15,000	-	-	15,000	358p	-	Oct-04	Oct-11
	15,000	-	-	15,000	343p	-	Sep-05	Sep-12

## **Directors' report** *(continued)*

### **Directors' interests** *(continued)*

Shares other than those marked SAYE relate to executive share option grants. Entitlement to exercise such grants is conditional upon a performance criterion requiring compound growth in normalised earnings per share ("EPS") over the three financial years after grant of at least 2% per annum (3% for grants on or after March 2000) in excess of the increase in the retail price index.

At 31 December 2003, the mid market share price of Spectris plc shares on the London Stock Exchange was 425.7p (2002: 286.5p). The highest share price in the year was 500p and the lowest was 266.5p.

At 31 December 2003, the executive directors were deemed to have a non-beneficial interest in 3,263,000 (2002: 3,379,456) ordinary shares held by the Trustee of the Spectris plc Employee Benefit Trust, of which they are among the class of discretionary beneficiaries.

### **Research and development**

The directors consider that product development and innovation play an important role in the success of the company and, accordingly, they continue to further the company's research and development programme.

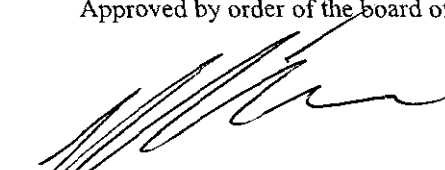
### **Payments to suppliers**

It is the company's general policy to abide by the terms of payment agreed with its suppliers. The company had 74 days' purchases outstanding at 31 December 2003 (2002: 61 days).

### **Auditors**

A resolution to reappoint KPMG Audit Plc as the company's auditor will be proposed at the annual general meeting.

Approved by order of the board of directors on 30 April 2004 and signed on its behalf by:



**MC Keatley**  
Director

Sterling Road  
Cressex Business Park  
High Wycombe  
Buckinghamshire  
HP12 3RT

## Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street  
Birmingham  
B3 2DL

## **Independent auditors report to the members of Beta Lasermike Limited**

We have audited the financial statements on pages 5 to 15.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of directors and auditors***

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### ***Basis of audit opinion***

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### ***Opinion***

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

30 April 2004

**Profit and loss account**  
*for the year ended 31 December 2003*

	<i>Note</i>	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>8,431</b>	<b>7,875</b>
Cost of sales		(5,119)	(4,176)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>3,312</b>	<b>3,699</b>
Distribution costs		(3,532)	(3,436)
Administrative expenses		(1,640)	(1,950)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(1,860)</b>	<b>(1,687)</b>
Interest receivable	3	1	1
Interest payable	4	(235)	(118)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	<b>5</b>	<b>(2,094)</b>	<b>(1,804)</b>
Taxation on loss on ordinary activities	8	632	494
		<hr/>	<hr/>
<b>Loss for the financial year</b>	<b>17</b>	<b>(1,462)</b>	<b>(1,310)</b>
		<hr/>	<hr/>

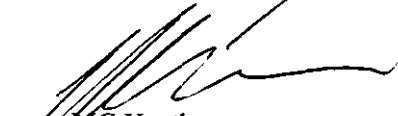
All amounts relate to continuing activities.

There were no recognised gains or losses other than the result for the year reported above, and therefore no statement of total recognised gains and loss has been presented.

**Balance sheet**  
*at 31 December 2003*

	<i>Note</i>	<b>2003</b> £000	2002 £000
<b>Fixed assets</b>			
Intangible assets	9	794	446
Tangible assets	10	674	760
		<hr/>	<hr/>
		1,468	1,206
		<hr/>	<hr/>
<b>Current assets</b>			
Stocks	11	1,651	1,670
Debtors	12	3,142	3,053
Cash at bank and in hand		189	229
		<hr/>	<hr/>
		4,982	4,952
<b>Creditors: Amounts falling due within one year</b>	13	(7,059)	(4,876)
		<hr/>	<hr/>
<b>Net current (liabilities)/assets</b>		(2,077)	76
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		(609)	1,282
<b>Creditors: Amounts falling due after more than one year</b>	14	-	(426)
<b>Provisions for liabilities and charges</b>	15	-	(3)
		<hr/>	<hr/>
<b>Net (liabilities)/assets</b>		(609)	853
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	16	1,000	1,000
Profit and loss account	17	(1,609)	(147)
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		(609)	853
		<hr/>	<hr/>

These financial statements were approved by the board of directors on <sup>30 April 2004</sup>~~[date]~~ and were signed on its behalf by:

  
**MC Keatley**  
 Director



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

#### *Basis of preparation*

The financial statements have been prepared using the historical cost convention and in accordance with applicable UK Accounting Standards.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate on the basis of an undertaking from the company's ultimate parent to provide continuing financial support to the company for the foreseeable future.

Under FRS 1 "Cash Flow Statements", the company is exempt from the requirements to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Spectris plc which presents consolidated financial statements which include the company and which are publicly available.

As the company is a wholly owned subsidiary of Spectris plc the company has taken advantage of the exemption contained in FRS 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Spectris plc, within which this company is included, can be obtained from the address given in note 22.

#### *Tangible fixed assets*

Tangible fixed assets are depreciated at rates calculated to write off the original cost, less the estimated residual value, in equal instalments over the expected useful life of the assets concerned.

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

Short leasehold properties	5% per annum
Plant, computer and other equipment	10-33% per annum
Motor vehicles and fixtures & fittings	10-25% per annum

#### *Leased assets*

Operating lease rentals are charged to the profit and loss account in the period to which they relate.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost comprises raw materials, direct labour and attributable manufacturing overheads where appropriate. Net realisable value represents the estimated selling price less the costs of completion, marketing, selling and distribution.

#### *Taxation*

The charge for taxation is based on the profit or loss for the year, and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred tax".

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at rates ruling at the balance sheet date. All exchange differences are recorded in the profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### Post retirement benefits

The company participates in a multi-employer pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Spectris plc also operates a defined contribution pension scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### Research and development

Development costs on clearly defined development projects, the outcome of which has been assessed with reasonable certainty, are capitalised as intangible assets, to the extent that their recovery can be assured, and amortised over their useful economic lives, all other research and development expenditure is written off as incurred.

### 2 Turnover

Turnover represents the invoiced amount of goods sold, excluding value added tax. The analysis of turnover by geographical area is as follows:

	2003 £000	2002 £000
UK	1,096	978
Europe	3,013	3,407
China	1,118	854
Rest of Asia Pacific	1,184	1,367
USA	1,359	1,269
Rest of World	661	-
	<u>8,431</u>	<u>7,875</u>

### 3 Interest receivable

	2003 £000	2002 £000
Bank and other interest receivable	1	1
	<u>1</u>	<u>1</u>

### 4 Interest payable

	2003 £000	2002 £000
On bank overdraft	4	-
On loans from group undertakings	231	118
	<u>235</u>	<u>118</u>

## Notes (continued)

### 5 Loss on ordinary activities before taxation

	2003 £000	2002 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Amortisation of intangible assets	31	10
Depreciation of tangible fixed assets	159	174
Research and development expenditure	91	98
Operating lease rentals:		
Land and Buildings	246	272
Plant and equipment	114	130
Auditors' remuneration:		
Audit fees	18	15
Other services – fees paid to the auditor and its associates	2	4
	<hr/>	<hr/>

### 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	
	2003	2002
Factory	60	61
Sales and administration	18	19
	<hr/>	<hr/>
	78	80
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	2,233	2,199
Social security costs	408	295
Other pension costs	65	61
	<hr/>	<hr/>
	2,706	2,555
	<hr/>	<hr/>

### 7 Directors' emoluments

	2003 £000	2002 £000
Remuneration as directors	178	162
Pension contributions to defined contribution scheme	10	9
	<hr/>	<hr/>
	188	171
	<hr/>	<hr/>

Three directors participated in defined contribution pension schemes (2002: three). Three directors exercised share options during the year, making gains of £34,000 and two received options under long-term incentive schemes.

**Notes (continued)**

**8 Tax on loss on ordinary activities**

Analysis of credit in period

	2003 £000	2002 £000
<i>UK corporation tax</i>		
Current tax on loss in year	(622)	(497)
Adjustments in respect of prior years	22	-
	<hr/>	<hr/>
Total current tax	(600)	(497)
Deferred tax (see note 15)		
Current year	12	16
Adjustment in respect of prior years	(44)	(13)
	<hr/>	<hr/>
Tax on loss on ordinary activities	(632)	(494)
	<hr/>	<hr/>

The current tax credit for the period is lower (2002: lower) than the standard rate of corporation tax in the UK of 30% (2002: 30%). The difference is explained below:

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(2,094)	(1,804)
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	(628)	(541)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	18	28
Deferred tax	(12)	16
Prior period adjustments in respect of Corporation tax	22	-
	<hr/>	<hr/>
Total current tax	(600)	(497)
	<hr/>	<hr/>

## Notes (continued)

### 9 Intangible fixed assets

	Goodwill	Development costs	Total
	£000	£000	£000
<i>Cost</i>			
At beginning of year	-	456	456
Additions	285	94	379
	<hr/>	<hr/>	<hr/>
At end of year	285	550	835
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At beginning of year	-	10	10
Charged in year	9	22	31
	<hr/>	<hr/>	<hr/>
At end of year	9	32	41
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2003	276	518	794
	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	446	446
	<hr/>	<hr/>	<hr/>

On 2 June 2003, the company acquired the European and Asian trade and assets of the Process Instrumentation division of TSI Inc. and TSI GmbH for a cash consideration of £335,000 with acquisition costs of £18,000. Goodwill representing the difference between the fair value of the consideration over the fair value of the net assets acquired of £285,000 is being amortised over a 20 year period, being the directors' estimate of the useful economic life. Fair value adjustments have been made to tangible fixed assets, stock and debtors to bring them in line with the accounting policies of Beta LaserMike Limited.

During 2002 the company acquired the rights, including know-how and patents of PlastAdviser Aps, which specialises in equipment used to measure extrusion pipes. These costs have been capitalised and are being amortised over 20 years. Further costs of £94,000 have been capitalised during the year 2003.

#### Acquisition

	Book value	Fair value adjustments	Fair value
	£000	£000	£000
Tangible fixed assets	22	(3)	19
Stock	65	(65)	-
Current assets	266	(9)	257
Current liabilities	(208)	-	(208)
	<hr/>	<hr/>	<hr/>
	145	(77)	68
	<hr/>	<hr/>	<hr/>
Goodwill			285
			<hr/>
Total consideration (including acquisition costs of £18,000)			353
			<hr/>

## Notes (continued)

### 10 Tangible fixed assets

	Short leasehold properties £000	Plant and equipment £000	Furniture & Fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>					
At beginning of year	632	473	267	11	1,383
Additions	-	54	-	-	54
Acquisition	-	19	-	-	19
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	632	546	267	11	1,456
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At beginning of year	126	369	119	9	623
Charge for the year	32	94	31	2	159
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	158	463	150	11	782
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>					
At 31 December 2003	474	83	117	-	674
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	506	104	148	2	760
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

### 11 Stocks

	2003 £000	2002 £000
Raw materials	466	452
Work in progress	308	281
Finished goods	877	937
	<hr/>	<hr/>
	1,651	1,670
	<hr/>	<hr/>

### 12 Debtors

	2003 £000	2002 £000
Trade debtors	2,189	1,693
Amounts owed by group undertakings	663	937
Other debtors	123	169
Deferred tax asset (see note 15)	29	-
Prepayments and accrued income	138	254
	<hr/>	<hr/>
	3,142	3,053
	<hr/>	<hr/>

## Notes (continued)

### 13 Creditors: Amounts falling due within one year

	2003 £000	2002 £000
Bank overdraft	3	6
Trade creditors	879	582
Amounts owed to group undertakings	5,855	4,022
Taxation and social security	52	46
Other creditors	154	124
Accruals and deferred income	116	96
	<u>7,059</u>	<u>4,876</u>

### 14 Creditors: Amounts falling due after more than one year

	2003 £000	2002 £000
Amounts owed to group undertakings	-	426
	<u>-</u>	<u>426</u>

### 15 Provisions for liabilities and charges

The amount for deferred taxation, provided under FRS 19 "Deferred Tax" using a tax rate of 30% (2002: 30%) is as follows:

	Deferred tax £000	
At beginning of year		3
Credit for year		(32)
		<hr/>
At end of year		(29)
		<hr/>
	2003 £000	2002 £000
Accelerated capital allowances	(4)	34
Short term timing differences	(25)	(31)
	<hr/>	<hr/>
Deferred taxation (asset)/liability	(29)	3

### 16 Share capital

	2003 £000	2002 £000
<i>Authorised, allotted, called up and fully paid:</i>		
1,000,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

## Notes (continued)

### 17 Profit and loss account

	£000
At beginning of year	(147)
Loss for the year	(1,462)
At end of year	(1,609)

### 18 Reconciliation of movement in equity shareholders' funds

	2003 £000	2002 £000
Loss for the financial year	(1,462)	(1,310)
Opening equity shareholders' funds	853	2,163
Closing equity shareholders' funds	(609)	853

### 19 Commitments

#### Capital expenditure

There are no future or prior year capital expenditure commitments.

#### Operating leases

The company has annual commitments under non-cancellable operating leases as follows:

	2003 Land and buildings £000	Other £000	2002 Land and Buildings £000	Other £000
Expiring within one year	-	23	-	13
Expiring between two and five years	-	66	-	74
Expiring after five years	204	-	204	-
	204	89	204	87

### 20 Contingent liabilities

With other members of the group, the company has guaranteed facilities made available to Spectris plc, in respect of which the following amounts were outstanding at 31 December 2003:

Senior Loan Notes 2006	\$Nil	(2002: \$100,000,000)
Senior Loan Notes 2010	\$Nil	(2002: \$75,000,000)
Royal Bank of Scotland	£Nil	(2002: £56,385,000)
Royal Bank of Scotland	£5,684,000	(2002: £7,318,000)
Bank One, NA	£Nil	(2002: £30,000,000)

The company has been released from its guarantee in respect of Senior Loan Notes 2006, Senior Loan Notes 2010 and Bank One NA.



## Notes (continued)

### 21 Pensions

The company participates in a multi-employer pension scheme (the Spectris Pension Plan) providing benefits based on final pensionable pay. As permitted by FRS17 "Retirement Benefits" the plan is accounted for by the company as if it were a defined contribution scheme, because the company is unable to identify its share of the plan's assets and liabilities on a consistent and reasonable basis. The total deficit of the scheme at 31 December 2003 was £7.8 million (2002: £5.2 million).

The latest full actuarial valuation was carried out as at 31 December 2002 and was updated for FRS17 purposes to 31 December 2003 by an independent qualified actuary.

The Spectris Pension Plan is closed to new members. Contributions payable by the company amounted to £5,000 for the year ended 31 December 2003 (2002: £6,000).

Spectris plc also operates a defined contribution pension scheme, membership of which is available to the qualifying UK employees of group companies. Contributions payable by the company to the scheme and to personal pension plans amounted to £59,000 for the year ended 31 December 2003 (2002: £55,000).

Contributions amounting to £1,000 (2002: £1,000) were payable to the defined benefit scheme at the year end, and no amount was outstanding in respect of the defined contribution scheme and personal pension plans at the year end.

Further details are given in the accounts of Spectris plc.

### 22 Ultimate parent company

The company is a subsidiary undertaking of Spectris plc which is incorporated in Great Britain. The largest group in which the results of the company are consolidated is that headed by Spectris plc, incorporated in Great Britain. The consolidated accounts of this company are available to the public and may be obtained from Spectris plc, Station Road, Egham, Surrey, TW20 9NP. No other group accounts include the results of the company.