

**PANalytical Limited**

**Directors' report and financial  
statements**

**Registered number 1005071**

**31 December 2003**



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## Directors' report

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

### Principal activity

The principal activity of the company is the marketing, sale and support of x-ray analytical equipment in the UK and Ireland.

### Business review

Philips Analytical, a business unit of Philips Electronics UK Ltd, was sold to Spectris plc and its affiliates on the 26<sup>th</sup> August 2002. As a result the company purchased the UK business and changed its name to PANalytical Ltd.

The profit for the year after taxation amounted to £266,000 (2002: £33,000 loss). PANalytical Ltd is wholly owned by Spectris plc, the ultimate parent company.

Our continued development of highly regarded technologically advanced products combined with our unrivalled dedication to customer care, will sustain our position as the UK's preferred supplier of X-ray analysis equipment.

Research and development is conducted on behalf of our controlling party, PANalytical BV.

### Dividends

No dividends are recommended for the year (2002: £nil).

### Directors and directors' interests

The directors of the company during the year were:

PV Boughton  
GEJ Eggermont (Dutch)  
R Nicholls (appointed 1 May 2003)  
RJ Stephens  
JJ Van Rijn (Dutch)  
JC Webster  
HWM Webster (resigned 30 April 2003)

The interest of Mr JC Webster and Mr PV Boughton in the shares and share options of Spectris plc, the ultimate holding company is shown in the accounts of that company.

The interests of Mr RJ Stephens in the share capital of Spectris plc are set out below:

	Ordinary shares of 5p nominal value	Executive options	Savings related options
01.01.03	29,612	148,978	7,222
31.12.03	16,568	182,647	9,191

## Directors' report (continued)

### Directors and directors' interests (continued)

#### Share options

Directors	Number of options At 01.01.03	Options granted	Exercised	Lapsed	At 31.12.03	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
RJ Stephens	10,259	-	-	-	10,259	618.9p	-	Oct-00	Oct-07
	4,924	-	-	-	4,924	550.7p	-	Mar-01	Mar-08
	10,259	-	-	-	10,259	321.7p	-	Mar-02	Mar-09
	10,259	-	10,259	-	0	5p	265p	Mar-02	Mar-06
	19,485	-	-	-	19,485	513.18p	-	Mar-03	Mar-10
	36,292	-	-	24,072	12,220	498.5p	-	Mar-04	Mar-11
	25,000	-	-	-	25,000	516.5p	-	Mar-05	Mar-12
	32,500	-	-	-	32,500	342.5p	-	Sep-05	Sep-12
	-	40,000	-	-	40,000	279p	-	Mar-06	Mar-13
	-	28,000	-	-	28,000	468.5p	-	Sep-06	Sep-13
	148,978	68,000	10,259	24,072	182,647				
SAYE	7,222	1,969	-	-	9,191	238.8p	-	Dec-03	Jun-04
Total	156,200	69,969	10,259	24,072	191,838				

None of the directors had any interest directly or indirectly in the shares of subsidiary undertakings of Spectris plc.

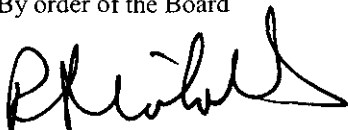
Entitlement to exercise options granted under the Spectris 1996 Executive Share Plan is conditional upon the achievement of growth in normalised earnings per share (EPS) over three consecutive financial years between grant and exercise of at least 2% per annum in excess of growth in the retail price index.

At 31 December 2003 the mid share price of Spectris plc shares on the London Stock Exchange was 425.75p (2002: 286.5p). The highest share price in the year was 500p and the lowest was 266.50p.

#### Charitable donations

The company made neither political contributions nor charitable contributions during the year.

By order of the Board



R Nicholls  
Director

Philips House  
Cambridge Business Park  
Cowley Road  
Cambridge  
CB4 0HB

## Statement of 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 assume 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

37 Hills Road  
Cambridge  
CB2 1XL  
United Kingdom

### **Report of the independent auditors to the members of PANalytical Limited**

We have audited the financial statements on pages 5 to 17.

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 profit 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 June 2004

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

	Note	2003	2002	2002	2002
		Continuing £000	Total £000	Continuing £000	Discontinued £000
			As restated – see note 20	As restated – See note 20	
Turnover	2	4,808	1,298	1298	-
Cost of sales		(3,608)	(972)	(972)	-
<b>Gross profit</b>		<b>1,200</b>	<b>326</b>	<b>326</b>	<b>-</b>
Distribution costs		(2)	(9)	(9)	-
Administration expenses		(800)	(332)	(332)	-
<b>Operating profit/(loss)</b>		<b>398</b>	<b>(15)</b>	<b>(15)</b>	<b>-</b>
Closure costs		-	(37)	-	(37)
<b>Profit/(loss) after exceptional items</b>		<b>398</b>	<b>(52)</b>	<b>(15)</b>	<b>(37)</b>
Other interest receivable and similar income	6	14	11	-	11
<b>Profit/(loss) on ordinary activities before taxation</b>	3-5	<b>412</b>	<b>(41)</b>	<b>(15)</b>	<b>(26)</b>
Taxation on profit/(loss) on ordinary activities	7	(146)	8	8	-
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>266</b>	<b>(33)</b>	<b>(7)</b>	<b>(26)</b>
<b>Retained profit/(loss) for the year</b>	17	<b>266</b>	<b>(33)</b>	<b>(7)</b>	<b>(26)</b>

The company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 7 to 17 form part of these financial statements.

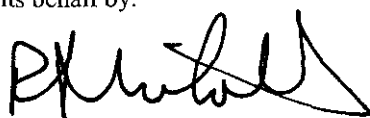
**Balance sheet**  
*at 31 December 2003*

	<i>Notes</i>	<b>2003 £000</b>	<b>2003 £000</b>	<b>2002 £000</b>	<b>2002 £000</b>
<b>Fixed assets</b>					
Intangible assets	8	2,200		2,307	
Tangible assets	9	109		91	
			<b>2,309</b>		<b>2,398</b>
<b>Current assets</b>					
Stocks	10	555		551	
Debtors	11	1,317		1,416	
Cash at bank and in hand		121		30	
		<b>1,993</b>		<b>1,997</b>	
<b>Creditors: Amounts falling due within one year</b>	12	<b>(3,649)</b>		<b>(3,992)</b>	
<b>Net current liabilities</b>			<b>(1,656)</b>		<b>(1,995)</b>
<b>Total assets less current liabilities</b>			<b>653</b>		<b>403</b>
<b>Provisions for liabilities and charges</b>	13		<b>(48)</b>		<b>(64)</b>
<b>Net assets</b>			<b>605</b>		<b>339</b>
<b>Capital and reserves</b>					
Called up share capital	15		100		100
Profit and loss account	16		505		239
<b>Equity shareholders' funds</b>	17		<b>605</b>		<b>339</b>

These financial statements were approved by the board of directors on its behalf by:

29/6/04

and were signed on



**R Nicholls**  
*Director*

The notes on pages 7 to 17 form part of these financial statements.



## Notes

*(forming part of the financial statements)*

### 1 Principal accounting policies

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

#### *Basis of preparation*

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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

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

#### *Turnover*

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

System sales are recognised when the customer has accepted ownership of the system. Service contract income is recognised at equal monthly instalments over the term of the service contract. All other sales are recognised upon delivery to the customer.

#### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	-	Life of lease
IT equipment	-	33% straight line method

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

#### *Operating lease agreements*

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

## **Notes (continued)**

### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatments 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.

### ***Post – retirement benefits***

#### ***Defined benefit schemes***

Until 31 March 2002, the company participated in the Spectris Pension Plan scheme providing benefits based on final pensionable pay operated by Spectris Plc. 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.

#### ***Defined contribution schemes***

Until 31 March 2002, the company participated in defined contribution pension schemes operated by Spectris Plc. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Since 1 January 2003, the company participated in defined contribution pension schemes operated by Spectris Plc. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

### ***Goodwill***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The estimated useful life of goodwill is 20 years, which is equivalent to the life cycle of PANalytical X-ray analysis equipment.

### ***Basis of translating foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

### ***Research and development expenditure***

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

***Employee share schemes***

The cost of awards to employees that take the form of shares or rights to shares are recognised over the period of the employee's related performance. (Where there are no performance criteria, the cost is recognised when the employee becomes unconditionally entitled to the shares.) No cost is recognised in respect of SAYE schemes that are offered on similar terms to all or substantially all employees.

## Notes (continued)

### 2 Turnover

Turnover comprises sales made in the UK and Ireland only and the company carried out one class of business being the sale of analytical x-ray equipment and the provision of related support and maintenance services.

### 3 Profit/(loss) on ordinary activities before taxation

	2003 £000	2002 £000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
- audit	10	10
- other services – fees paid to the auditor and its associates	-	1
Depreciation on owned tangible fixed assets	21	5
Amortisation of intangible fixed assets	120	40
Operating lease rentals – leasehold premises	97	29
Exchange (gain)/loss	(5)	4

### 4 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
Production and distribution	19	17
Sales	10	11
	29	28

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	968	328
Social security costs	107	33
Other pension costs	64	20
	1,139	381

**Notes (continued)**

**5 Remuneration of directors**

The aggregate amount of emoluments paid to directors during the period was £88,302 of which £28,339 related to severance pay (2002: £19,751).

There were no retirement benefits accrued to directors under any Group pension schemes (2002: £nil).

**6 Other interest receivable and similar income**

	2003 £000	2002 £000
Bank interest receivable	14	11
	<u>14</u>	<u>11</u>

**7 Tax on profit/(loss) on ordinary activities**

Analysis of (credit)/ charge in period

	2003 £000	£000	2002 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	137		(8)	
	<u>137</u>		<u>(8)</u>	
Total current tax		137		(8)
Deferred tax		9		-
		<u>146</u>		<u>(8)</u>
Tax on profit on ordinary activities				

## Notes (continued)

### 7 Tax on (loss)/profit on ordinary activities (continued)

#### Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2002: higher) than the standard rate of corporation tax in the UK (30%; 2002: 30%). The differences are explained below.

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	412	(41)
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	124	(12)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	7	4
Capital allowances for period in excess of depreciation	6	-
	<hr/>	<hr/>
Total current tax charge/(credit) (see above)	137	(8)
	<hr/>	<hr/>

### 8 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
At beginning of year	2,307
Adjustment in fair value of acquisition	13
	<hr/>
At end of year	2,320
<i>Amortisation</i>	
Charge for the year	120
	<hr/>
At end of year	120
<i>Net book value</i>	
At 31 December 2003	2,200
	<hr/>
At 31 December 2002	2,307
	<hr/>

## Notes (continued)

### 9 Tangible fixed assets

	Short term leasehold improvements £000	IT Equipment £000	Total £000
<b>Cost</b>			
At beginning of year	96	-	96
Acquisitions	-	39	39
	<hr/>	<hr/>	<hr/>
At end of year	96	39	135
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	5	-	5
Charge for the year	16	5	21
	<hr/>	<hr/>	<hr/>
At end of year	21	5	26
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December 2003	75	34	109
	<hr/>	<hr/>	<hr/>
At 31 December 2002	91	-	91
	<hr/>	<hr/>	<hr/>

The company had no capital commitments contracted for at 31 December 2003 (2002: £nil).

### 10 Stocks

	2003 £000	2002 £000
Raw materials and service stock	386	474
Finished goods	169	77
	<hr/>	<hr/>
	555	551
	<hr/>	<hr/>

### 11 Debtors

	2003 £000	2002 £000
Trade debtors	1,304	880
Amounts owed by parent undertaking	4	-
Amounts owed by fellow group undertakings	-	493
Other debtors	9	43
	<hr/>	<hr/>
	1,317	1,416
	<hr/>	<hr/>

## Notes (continued)

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

	2003 £000	2002 £000
Trade creditors	143	150
Amounts owed to parent undertaking	1,980	2,836
Corporation tax	138	4
Other taxation and social security costs	271	149
Accruals and deferred income	970	801
Other creditors	147	52
	<u>3,649</u>	<u>3,992</u>

### 13 Provision for liabilities and charges

	Deferred Taxation £000	Warranty £000	Other £000	Total £000
At beginning of year	-	47	17	64
Charge/credit to P&L during the year	9	-	-	9
Utilised during the year	-	(24)	(1)	(25)
	<u>9</u>	<u>23</u>	<u>16</u>	<u>48</u>
At end of year	9	23	16	48

The warranty provision is for product costs anticipated in satisfying commitments under warranty period for products sold.

The other provision is for jubilee payments payable to employees who have completed 25 years of service.

The elements of deferred taxation are as follows:

	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	9	1
Other timing differences	-	(1)
	<u>9</u>	<u>-</u>
Provision	9	-

### 14 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:

	2003	2002
National Westminster Bank plc	-	£56,385,000
National Westminster Bank plc	<u>£5,684,000</u>	<u>£7,318,000</u>



**Notes (continued)**

**15 Called up share capital**

	2003 £000	2002 £000
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100	100

**16 Profit and loss account**

	2003 £000	2002 £000
At beginning of year	239	272
Retained profit/ (loss) for the year	266	(33)
At end of year	505	239

**17 Reconciliation of movements in shareholders' funds**

	2003 £000	2002 £000
Profit/(loss) for the financial year	266	(33)
Net addition to/(reduction in) shareholders' funds	266	(33)
Opening shareholders' funds	339	372
Closing shareholders' funds	605	339

## Notes (continued)

### 18 Pension commitments

#### Notes

##### *Defined benefit schemes*

Until 31 March 2002, the company was a member of the Spectris Pension Plan scheme providing benefits based on final pensionable pay. Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme. The total deficit of the Plan at 31 December 2003 was £7.8 million (2002: £5.2m).

The latest full actuarial valuation was carried out at 31 December 2002 and was updated for FRS 17 purposes to 31 December 2003 by a qualified independent actuary.

The Spectris Pension Plan was closed to new members from 1 January 1996. The contribution for 2003 was £nil (2002: £nil).

Further details are set out in the accounts of Spectris Plc.

##### *Defined contribution schemes*

Until 31 March 2002, the company participated in a Fairey Nuclear Ltd defined contribution pension scheme operated by Spectris Plc. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £nil in 2003 (2002: £nil).

Since 1 January 2003, the company participated in a PANalytical Ltd defined contribution pension scheme operated by Spectris Plc. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £64,112 (2002: £ nil).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### 19 Lease commitments

At 31 December 2003, the company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings 2003 £000</b>	<b>Land and buildings 2002 £000</b>
Expiring between two and five years	<b>97</b>	<b>29</b>

**Notes** *(continued)*

**20 Restatement of profit and loss account for the year ended December 2002**

The restatement arises from the inclusion of £398,000 in Cost of sales, of which £394,000 was previously included in Administration expenses and £4,000 previously included in Interest payable and similar charges. There is no effect on the retained profit and therefore no prior year adjustment.

**21 Controlling party**

The controlling party is PANalytical BV, a company incorporated in the Netherlands. The smallest level of consolidation is PANalytical EMEA region and these accounts are available from PANalytical BV, Twentepoort Oost 26, NL-7609 RG Almelo.

**22 Ultimate holding company and parent undertaking**

The ultimate holding company and parent undertaking is Spectris plc, which is incorporated in Great Britain and registered in England. Copies of their accounts are available from the company's registered office at Station Road, Egham, Surrey TW20 9NP.