

COMPANY REGISTRATION NUMBER 1005071

**PANALYTICAL (UK) LIMITED
FINANCIAL STATEMENTS
FOR
31 DECEMBER 2006**

ENSORS

Chartered Accountants & Registered Auditors
Anglia House
285 Milton Road
Cambridge
CB4 1XQ

THURSDAY



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COMPANIES HOUSE

PANALYTICAL (UK) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2006

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PANALYTICAL (UK) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2006

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2006

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The profit for the year after taxation amounted to £389,771 (2005 - £161,348) PANalytical Ltd is wholly owned by Spectris plc, the ultimate parent company

2006 saw a continued development of sales into the Academic market place funded by increased Government funding. The order book at the end of 2006 was an increase on the order book of 2005, reflected in a book to bill ratio in excess of 1.1. The Customer Support business continued its above inflation growth with most new sales resulting in service contract income. This assisted the maintenance of the profit levels. The pharmaceutical and cement markets were active for both XRD and XRF lines. Continued attention to organisation costs kept these to below forecast and the headcount was stable from previous year. The high orderbook carried into 2007 gave a satisfactory first quarter sales performance.

University spending in the XRD product line has continued in 2007 with steady order income streams. Headcount will remain stable at its existing level and costs are under control.

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

RESULTS AND DIVIDENDS

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management objectives and policies

The company is a wholly owned subsidiary of Spectris plc, its management of financial risks are controlled at group level. The group's financial risk management objectives and policies are fully disclosed in the accounts of Spectris plc.

RESEARCH AND DEVELOPMENT

The company undertakes long term research concentrating on future opportunities in the field of expertise and core competences of the PANalytical Group worldwide. Activities include innovations associated with X-ray scattering equipment, the physics thereof and the applicability to solving problems.

PANALYTICAL (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2006

DIRECTORS AND THEIR INTERESTS

The directors who served the company during the year were as follows

G E J Eggermont
Dr R J Nicholls
R J Stephens
J J Van Rijn
J C Webster

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company

The interest of J C Webster in the shares and share options of Spectris plc, the ultimate holding company, is shown in the accounts of that company

The interests of R J Stephens in the share capital of Spectris plc are set out below

	Ordinary shares of 5p nominal value	Executive options	Savings related options
1 January 2006	30,063	225,888	1,969
31 December 2006	33,906	158,485	1,529

The following Performance Share Plan share awards, each of which carries an entitlement to subscribe for one ordinary 5p share in Spectris plc, were outstanding at 31 December 2006

During the year					Market Value of each Share at Award Date	Date from which Exercisable	Expiry Date	
At 01 01 06	Granted	Exercised	Lapsed	At 31 12 06				
R J Stephens	-	16,000	-	-	16,000	622 5p	May-09	May-10
	-	16,000	-	-	16,000			

The awards were made as a conditional right to acquire shares (structured as nominal cost options), and the number of shares awarded were based on the mid-market closing price of the company's shares on the business day prior to the date of grant. For Stephens, the value of the award was equivalent to 67% of his base salary at the date of grant. Following satisfaction, in whole or in part, of the performance criteria attaching to the awards, the directors may call for the release to them of the shares subject to the award during the above shown exercise period.

PANALYTICAL (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2006

DIRECTORS AND THEIR INTERESTS - continued

Share options

No of options at 01 01 06	Options Granted	Exercised	No of options at 31 12.06	Exercise Price	Market price at date of exercise	Date from which exercisable	Expiry Date
RJ Stephens							
10,259	-	10,259	-	618 9p	712 1261p	Oct-00	Oct-07
4,924	-	4,924	-	550 7p	712 1261p	Mar-01	Mar-08
19,485	-	-	19,485	513 18p	-	Mar-03	Mar-10
12,220	-	12,220	-	498 5p	668 2487p	Mar-04	Mar-11
40,000	-	40,000	-	279p	668 2487p	Mar-06	Mar-13
28,000	-	-	28,000	468 5p	-	Sep-06	Sep-13
26,000	-	-	26,000	462p	-	Mar-07	Mar-14
25,000	-	-	25,000	406 25p	-	Oct-07	Oct-14
60,000	-	-	60,000	589p	-	Sep-08	Sep-15
225,888	-	-	158,485				
SAYE							
1,969	-	1,969	-	468 5p	681 5p	Dec-06	Jun-07
-	1,529	-	1,529	622 5p	-	Dec-09	Jun-10
227,857	1,529	69,372	160,014				

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 2006 the mid share price on the London Stock Exchange was 783 5p. The highest share price in the year was 795 25p and the lowest was 540 25p. At 31 December 2006 each of the directors were deemed to have a non-beneficial interest in 67,491 (2005 1,133,395) ordinary shares held by the Trustee of the Spectris plc Employee Benefit Trust of which the directors are among the class of discretionary beneficiaries

PANALYTICAL (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2006

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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

select suitable accounting policies, as described on pages 9 to 10, 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 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware

there is no relevant audit information of which the company's auditors are unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

AUDITOR

A resolution to re-appoint Ensors as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Registered office
Philips House
Cambridge Business Park
Cowley Road
Cambridge
CB4 0HA

Signed by order of the directors



Dr R J Nicholls
Director

Approved by the directors on 10/10/07.

PANALYTICAL (UK) LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
PANALYTICAL (UK) LIMITED
YEAR ENDED 31 DECEMBER 2006

We have audited the financial statements of PANalytical (UK) Limited for the year ended 31 December 2006 on pages 7 to 17 which have been prepared on the basis of the accounting policies set out on pages 9 to 10

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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 other transactions 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 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.

PANALYTICAL (UK) LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
PANALYTICAL (UK) LIMITED *(continued)***

YEAR ENDED 31 DECEMBER 2006

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 the company's affairs as at 31 December 2006 and of its profit for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Directors' Report is consistent with the financial statements year ended 31 December 2006

Ensors

Anglia House
285 Milton Road
Cambridge
CB4 1XQ

16/10/07

ENSORS
Chartered Accountants
& Registered Auditors

PANALYTICAL (UK) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
TURNOVER	2	4,540,547	4,726,371
Cost of sales		<u>2,876,425</u>	<u>3,207,536</u>
GROSS PROFIT		1,664,122	1,518,835
Distribution costs		66,448	44,168
Administrative expenses		1,242,250	1,128,739
Other operating income	3	(27,694)	(11,013)
OPERATING PROFIT	4	383,118	356,941
Interest receivable	7	9,612	—
Interest payable and similar charges	8	(2,959)	(43,593)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		389,771	313,348
Tax on profit on ordinary activities	9	—	152,000
PROFIT FOR THE FINANCIAL YEAR		389,771	161,348
Balance brought forward		776,759	615,411
Balance carried forward		<u>1,166,530</u>	<u>776,759</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 9 to 17 form part of these financial statements

PANALYTICAL (UK) LIMITED

BALANCE SHEET

31 DECEMBER 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Intangible assets	10	1,840,631	1,958,017
Tangible assets	11	50,940	60,914
		<u>1,891,571</u>	<u>2,018,931</u>
CURRENT ASSETS			
Stocks	12	711,330	456,415
Debtors	13	1,209,600	399,793
Cash at bank		51,419	130,607
		<u>1,972,349</u>	<u>986,815</u>
CREDITORS: Amounts falling due within one year	14	2,517,553	1,964,524
NET CURRENT LIABILITIES		<u>(545,204)</u>	<u>(977,709)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,346,367</u>	<u>1,041,222</u>
CREDITORS: Amounts falling due after more than one year	15	—	72,093
		<u>1,346,367</u>	<u>969,129</u>
PROVISIONS FOR LIABILITIES			
Other provisions	17	79,837	92,370
		<u>1,266,530</u>	<u>876,759</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	100,000	100,000
Profit and loss account		1,166,530	776,759
SHAREHOLDERS' FUNDS	21	<u>1,266,530</u>	<u>876,759</u>

These financial statements were approved by the directors on the 10/10/07. and are signed on their behalf by



Dr R J Nicholls
Director

The notes on pages 9 to 17 form part of these financial statements

PANALYTICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES *(continued)*

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold Improvements	-	Life of lease
IT Equipment	-	33% per annum, 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

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Foreign currencies

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

Pension contributions

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.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2006 £	2005 £
United Kingdom	<u>4,540,547</u>	<u>4,726,371</u>

PANALYTICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

3. OTHER OPERATING INCOME

	2006	2005
	£	£
Other operating income	<u>27,694</u>	<u>11,013</u>

4. OPERATING PROFIT

Operating profit is stated after charging

	2006	2005
	£	£
Amortisation	117,386	117,386
Research and development expenditure written off	327,867	318,319
Depreciation of owned fixed assets	22,146	32,716
Auditor's remuneration		
- as auditor	8,650	8,000
- non audit services	1,000	1,000
Operating lease costs		
- leasehold premises	49,758	47,012
- other	93,573	91,883
Net loss on foreign currency translation	<u>2,181</u>	<u>4,328</u>

5. PARTICULARS OF EMPLOYEES

The average number of persons employed by the company during the financial year, including the directors, amounted to 24 (2005 - 26)

The aggregate payroll costs of the above were

	2006	2005
	£	£
Wages and salaries	811,212	846,787
Social security costs	91,924	98,008
Other pension costs	67,347	54,250
	<u>970,483</u>	<u>999,045</u>

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2006	2005
	£	£
Emoluments receivable	70,087	62,580
Value of company pension contributions to money purchase schemes	4,125	3,739
	<u>74,212</u>	<u>66,319</u>

PANALYTICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

6. DIRECTORS' EMOLUMENTS *(continued)*

The number of directors who accrued benefits under company pension schemes was as follows

	2006	2005
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

7. INTEREST RECEIVABLE

	2006	2005
	£	£
Bank interest receivable	4,608	-
Interest from group undertakings	<u>5,004</u>	<u>-</u>
	<u>9,612</u>	<u>-</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Interest payable to group undertakings	<u>2,959</u>	<u>43,593</u>

9. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2006	2005
	£	£
Current tax		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	-	152,000
Total current tax	<u>-</u>	<u>152,000</u>

The company's liability to corporation tax is totally covered by group relief for which no charge is raised by the surrendering company

PANALYTICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

9. TAXATION ON ORDINARY ACTIVITIES *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2005 - 30%)

	2006	2005
	£	£
Profit on ordinary activities before taxation	<u>389,771</u>	<u>313,348</u>
Profit/(loss) on ordinary activities by rate of tax	116,931	94,004
Expenses not deductible for tax purposes	5,110	55,057
Excess of capital allowances over depreciation	8,991	16,858
Enhanced tax relief	(17,305)	(13,919)
Statutory deduction for share options	(4,011)	-
Group relief utilised	<u>(109,716)</u>	<u>-</u>
Total current tax (note 9(a))	<u>-</u>	<u>152,000</u>

10. INTANGIBLE FIXED ASSETS

	Goodwill
	£
COST	
At 1 January 2006 and 31 December 2006	<u>2,347,718</u>
AMORTISATION	
At 1 January 2006	389,701
Charge for the year	<u>117,386</u>
At 31 December 2006	<u>507,087</u>
NET BOOK VALUE	
At 31 December 2006	<u>1,840,631</u>
At 31 December 2005	<u>1,958,017</u>

PANALYTICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

11. TANGIBLE FIXED ASSETS

	Leasehold Property £	Equipment £	Total £
COST			
At 1 January 2006	96,115	52,551	148,666
Additions	–	12,172	12,172
At 31 December 2006	<u>96,115</u>	<u>64,723</u>	<u>160,838</u>
DEPRECIATION			
At 1 January 2006	50,730	37,022	87,752
Charge for the year	11,115	11,031	22,146
At 31 December 2006	<u>61,845</u>	<u>48,053</u>	<u>109,898</u>
NET BOOK VALUE			
At 31 December 2006	<u>34,270</u>	<u>16,670</u>	<u>50,940</u>
At 31 December 2005	<u>45,385</u>	<u>15,529</u>	<u>60,914</u>

12. STOCKS

2006 £	2005 £
<u>711,330</u>	<u>456,415</u>

13. DEBTORS

	2006 £	2005 £
Trade debtors	1,115,071	361,501
Other debtors	49,001	1,022
Prepayments and accrued income	45,528	37,270
	<u>1,209,600</u>	<u>399,793</u>

14. CREDITORS: Amounts falling due within one year

	2006 £	2005 £
Trade creditors	5,108	35,319
Amounts owed to group undertakings	1,278,283	862,868
Other creditors including taxation and social security		
Corporation tax	217,147	217,147
PAYE and social security	–	47,894
VAT	80,262	84,108
Other creditors	936,753	717,188
	<u>2,517,553</u>	<u>1,964,524</u>

PANALYTICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

15. CREDITORS: Amounts falling due after more than one year

	2006	2005
	£	£
Other creditors	<u>—</u>	<u>72,093</u>

16. PENSIONS

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 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 2006 was £nil (2005 £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 2005 (2004 £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 £67,347 (2005 £67,668). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

17. OTHER PROVISIONS

	2006
	£
Warranty provision:	
Balance brought forward	92,370
Movement for year	(12,533)
Balance carried forward	<u>79,837</u>

PANALYTICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

18. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	2006		2005	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire				
Within 1 year	-	15,731	-	9,056
Within 2 to 5 years	48,426	55,608	68,000	58,880
	<u>48,426</u>	<u>71,339</u>	<u>68,000</u>	<u>67,936</u>

19. CONTINGENCIES

With other members of the group the company has guaranteed facilities made available to Spectris plc, in respect of which £3,600,000 were outstanding at the year end (2005 - £4,600,000)

20. SHARE CAPITAL

Authorised share capital:

	2006 £	2005 £
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Equity shares				
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the financial year	389,771	161,348
Opening shareholders' funds	<u>876,759</u>	<u>715,411</u>
Closing shareholders' funds	<u>1,266,530</u>	<u>876,759</u>

PANALYTICAL (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2006

22. 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.

23. ULTIMATE PARENT COMPANY

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.