

Consolidated income statement

For the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Continuing operations			
Revenue	6	655.9	614.1
Cost of sales		(278.6)	(262.5)
Gross profit		377.3	351.6
Indirect production and engineering expenses		(62.8)	(57.8)
Sales and marketing expenses		(173.5)	(168.2)
Administrative expenses		(76.1)	(74.4)
Operating profit	7	64.9	51.2
Loss on termination of businesses		–	(1.2)
Financial income	10	6.6	4.0
Finance costs	10	(20.7)	(18.1)
Profit before tax		50.8	35.9
Taxation – UK	11	(0.5)	(9.5)
Taxation – Overseas	11	(15.1)	(2.8)
Profit after tax for the year from continuing operations attributable to equity shareholders		35.2	23.6
Basic earnings per share	13	28.8p	19.5p
Diluted earnings per share	13	28.8p	19.5p
Interim dividends paid and final dividends proposed for the year (per share)	12	15.8p	14.5p
Dividends paid during the year (per share)	12	14.85p	13.55p

Spectris uses adjusted figures as key performance measures in addition to those reported under IFRS. Adjusted figures are stated before amortisation of acquisition-related intangible assets, goodwill charges, profits or losses on termination or disposal of businesses or major fixed assets, unrealised changes in the fair value of financial instruments, related tax effects and other tax items which do not form part of the underlying tax rate.

Reconciliations showing how the adjusted performance measures are derived from those reported under IFRS are set out in Note 3.

Consolidated statement of recognised income and expense

	Notes	2005 £m	2004 £m
Net loss on effective portion of changes in fair value of forward exchange contracts	21	(1.3)	–
Deferred tax on changes in fair value of forward exchange contracts		0.4	–
Net gain on changes in fair value of effective portion of net investment hedge		(1.9)	–
Actuarial loss arising on pension schemes	9	(4.1)	(3.4)
Current and deferred tax on actuarial loss on pension schemes		1.3	1.1
Foreign exchange difference on translation of overseas operations		–	(0.9)
Current tax on foreign exchange differences		0.4	–
Net income recognised in equity in respect of year		(5.2)	(3.2)
Profit for the year		35.2	23.6
Total recognised income and expense for the year attributable to equity shareholders		30.0	20.4

Change in accounting policy: adoption of IAS 39, *Financial Instruments*:

Recognition and Measurement as at 1 January 2005

Hedging reserve:			
Fair value of forward exchange contracts	21	0.8	–
Deferred tax on forward exchange contracts		(0.2)	–
Retained earnings:			
Fair value of cross-currency interest rate swaps	21	(7.6)	–
Fair value of average rate options	21	1.7	–
Deferred tax on the above		1.8	–
		(3.5)	–
		26.5	20.4

Consolidated balance sheet

As at 31 December 2005

	Notes	2005 £m	2004 £m
Assets			
Non-current assets			
Goodwill	14	209.5	219.0
Other intangible assets	15	4.1	5.2
Property, plant and equipment	16	92.8	93.7
Deferred tax asset	25	44.6	40.2
		351.0	358.1
Current assets			
Inventories	17	88.2	94.0
Taxation recoverable		0.9	1.9
Trade and other receivables	18	150.4	145.8
Cash and cash equivalents	19	77.1	34.4
Assets held for sale	5	5.9	–
		322.5	276.1
Total assets		673.5	634.2
Liabilities			
Current liabilities			
Short-term borrowings	20	(59.4)	(0.3)
Derivative financial instruments	21	(0.6)	–
Trade and other payables	23	(132.4)	(134.5)
Current tax liabilities		(32.4)	(34.1)
Provisions	24	(12.3)	(7.0)
Liabilities held for sale	5	(3.7)	–
		(240.8)	(175.9)
Net current assets		81.7	100.2
Non-current liabilities			
Medium and long-term borrowings	20	(121.6)	(193.0)
Derivative financial instruments	21	(24.7)	–
Other payables	23	(6.7)	(5.4)
Retirement benefit obligations	9	(22.6)	(20.7)
Provisions	24	(0.6)	(2.5)
Deferred tax liability	25	(1.0)	(1.9)
		(177.2)	(223.5)
Total liabilities		(418.0)	(399.4)
Net assets		255.5	(234.8)
Equity			
Issued share capital	26	6.2	6.2
Share premium	27	229.1	227.8
Retained earnings	27	20.1	(1.7)
Translation reserve	27	(2.8)	(0.9)
Hedging reserve	27	(0.5)	–
Merger reserve	27	3.1	3.1
Capital redemption reserve	27	0.3	0.3
Equity shareholders' funds		255.5	234.8
Total equity and liabilities		673.5	634.2

The financial statements on pages 33 to 69 were approved by the Board of directors on 7 March 2006 and were signed on its behalf by:



Steve Hare
Director

Consolidated cash flow statement

For the year ended 31 December 2005

	Notes	2005 £m	2004 £m
Cash flows from operating activities			
Profit after tax		35.2	23.6
Adjustments for:			
Tax	11	15.6	12.3
Loss on termination of businesses		–	1.2
Finance costs	10	20.7	18.1
Financial income	10	(6.6)	(4.0)
Depreciation		12.6	13.4
Amortisation of intangible assets		1.3	1.3
Goodwill impairment charge		7.4	–
Goodwill reduction	36	–	12.2
Loss on sale of property, plant and equipment		0.3	0.4
Equity settled share-based payment expense	28	0.3	0.4
Operating profit before changes in working capital and provisions		86.8	78.9
Increase in trade and other receivables		(4.5)	(15.0)
Decrease/(increase) in inventories		6.2	(9.3)
Increase in trade and other payables		2.8	12.1
(Decrease) in provisions and employee benefits		(0.7)	(2.4)
Corporation tax paid		(15.8)	(7.7)
Net cash from operating activities		74.8	56.6
Cash flows from investing activities			
Purchase of property, plant and equipment		(12.3)	(16.5)
Proceeds from sale of property, plant and equipment		0.1	0.7
Purchase of intangible assets		–	(2.2)
Acquisition of subsidiary, net of cash acquired	30	(2.3)	(8.3)
Interest received		1.1	0.4
Dividend income		0.1	0.1
Other financial income		1.7	–
Net cash flows used in investing activities		(11.6)	(25.8)
Cash flows from financing activities			
Interest paid		(13.8)	(14.3)
Dividends paid to equity holders of the parent		(18.1)	(16.3)
Proceeds from issue of share capital		1.3	0.7
Sale of own shares by Employee Benefit Trust		10.7	0.2
Repayment of borrowings		(0.2)	(1.1)
New borrowings		–	2.3
Net cash flows from/(used in) financing activities		(20.1)	(28.5)
Net increase in cash and cash equivalents		43.1	2.3
Cash and cash equivalents at beginning of year		34.1	31.7
Effect of foreign exchange rate changes		(1.1)	0.1
Cash and cash equivalents at end of year		76.1	34.1

Reconciliation of changes in cash and cash equivalents to movements in net debt (as defined in Note 20)	Notes	2005 £m	2004 £m
Net increase in cash and cash equivalents		43.1	2.3
Net decrease/(increase) in loans		0.2	(1.2)
Increase in finance lease liabilities		(0.5)	–
Borrowings acquired on acquisitions	30	(0.7)	–
Effect of foreign exchange rate changes		(3.1)	3.4
Movement in net debt		39.0	4.5
Net debt at start of year	20	(158.9)	(163.4)
Net debt at end of year	20	(119.9)	(158.9)