

REGISTRAR'S COPY

Skalar (UK) Limited
Report and Financial Statements
Year Ended 31 December 1998

THOMAS  **COOMBS**
THE YORKSHIRE ACCOUNTANTS
CHARTERED ACCOUNTANTS, CENTURY HOUSE, 29 CLARENDON ROAD, LEEDS LS2 9PG



Skalar (UK) Limited

Annual report and financial statements for the year ended 31 December 1998

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Directors

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Directors

L. Plevier (Chairman)
R. Hill

Secretary and registered office

R. Hill, Breda House, Millfield Industrial Estate, Wheldrake, York, YO19 6NA

Registered number

02377192

Auditors

Thomas Coombs & Son, Century House, 29 Clarendon Road, Leeds LS2 9PG

Bankers

National Westminster Bank plc, 1 Market Street, York YO1 1YH

Skalar (UK) Limited

Report of the directors for the year ended 31 December 1998

The directors present their report together with the audited financial statements for the year ended 31 December 1998.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors do not recommend the payment of a dividend and the retained profit of £36,093 is to be carried to reserves.

Principal activities, trading review and future developments

The company's principal activity continued to be that of trading as a distributor of environmental laboratory equipment manufactured by a subsidiary undertaking of the ultimate parent undertaking, together with the supply of an after sales programme, including regular service and chemical reagent supply.

The directors are satisfied with the results for the year, the state of affairs and the company's future prospects.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	Ordinary shares of £1 each	
	1998	1997
L. Plevier (Chairman)	-	-
R. Hill	15	15

The interest of Mr L. Plevier in the issued share capital of the company's ultimate parent undertaking, Skalar Holding BV, is disclosed in the financial statements of that company.

Skalar (UK) Limited

Report of the directors for the year ended 31 December 1998 (Continued)

Directors' responsibilities

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 period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; 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. They 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.

Auditors

Thomas Coombs & Son have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

In preparing this report the directors have taken advantage of the special exemptions applicable to small companies.

By order of the board

R. Hill

Secretary

25 August 1999



Skalar (UK) Limited

Report of the auditors

To the shareholders of Skalar (UK) Limited

We have audited the financial statements on pages 4 to 14 which have been prepared under the accounting policies set out on pages 6 to 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

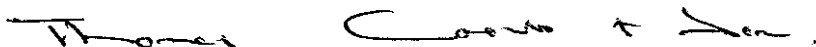
Basis of opinion

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 judgments 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



THOMAS COOMBS & SON
*Chartered Accountants
and Registered Auditors*
Leeds

25 August 1999

Skalar (UK) Limited**Profit and loss account for the year ended 31 December 1998**

	Note	1998 £	1997 £
Turnover	2	1,062,151	936,716
Cost of sales		576,152	471,098
Gross profit		485,999	465,618
Selling and distribution costs		232,403	218,368
Administrative expenses		195,554	171,229
		58,042	76,021
Other operating income		3,999	2,589
Operating profit	5	62,041	78,610
Interest payable and similar charges	6	14,370	5,610
Profit on ordinary activities before taxation		47,671	73,000
Taxation	7	11,578	24,673
Profit on ordinary activities after taxation retained for the year		36,093	48,327
Retained profit brought forward		112,062	63,735
Retained profit carried forward		148,155	112,062

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 14 form part of these financial statements.

Skalar (UK) Limited

Balance sheet at 31 December 1998

	Note	1998	1997
		£	£
Fixed assets			
Tangible assets	8	355,065	98,078
Current assets			
Stocks	9	110,832	104,334
Debtors	10	237,048	127,136
Cash at bank and in hand		57,630	129,864
		<u>405,510</u>	<u>361,334</u>
Creditors: amounts falling due within one year	11	<u>424,329</u>	<u>311,116</u>
Net current (liabilities)/assets		(18,819)	50,218
Total assets less current liabilities		<u>336,246</u>	<u>148,296</u>
Creditors: amounts falling due after more than one year	12	187,991	36,134
Net assets		<u>148,255</u>	<u>112,162</u>
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account		148,155	112,062
Shareholders' funds	15	<u>148,255</u>	<u>112,162</u>

All amounts relate to equity interests.

The financial statements were approved by the Board on 25 August 1999

L. Plevier

R. Hill

Directors

The notes on pages 6 to 14 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents the amounts invoiced to customers, excluding value added tax, in respect of goods despatched and services rendered during the year and the selling value of completed contracts.

Depreciation

Depreciation is calculated to write off the values of fixed assets in equal annual instalments over their estimated useful lives. The principal annual rates used are:

Freehold Property	-	2%
Plant and Machinery	-	20%
Motor Vehicles	-	25%
Fixtures and Fittings	-	20%
Computer Equipment	-	33 1/3%

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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

Skalar (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

Accounting policies (*continued*)

Leased assets

Where assets are financed by leasing agreements that give right approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are split between capital and interest using the actuarial method. The interest is charged to the profit and loss account. The capital part reduces the amount payable to the lessor.

All other leases are treated as 'operating leases'. Their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Research and development costs

Research and development costs are charged to the profit and loss account as incurred.

2 Turnover and profit

Turnover and profit are wholly attributable to the principal activity of the company.

Analysis by market:

	1998 £	1997 £
United Kingdom	933,698	857,629
Europe	86,657	79,087
Rest of world	41,796	-
	<hr/>	<hr/>
	1,062,151	936,716
	<hr/>	<hr/>

Skalar (UK) Limited**Notes forming part of the financial statements for the year ended 31 December 1998 (Continued)****3 Employees**

Staff costs (including directors) consist of:

	1998	1997
	£	£
Wages and salaries	163,406	155,710
Social security costs	16,184	15,326
Other pension costs	10,581	8,098
	<hr/>	<hr/>
	190,171	179,134
	<hr/>	<hr/>

The average number of employees (including directors) during the year was as follows:

	1998	1997
	Number	Number
Directors	2	2
Administration	5	5
Distribution	4	4
	<hr/>	<hr/>
	11	11
	<hr/>	<hr/>

4 Directors' emoluments

	1998	1997
	£	£
Emoluments	46,262	41,738
Pension contributions under defined contribution schemes	3,253	3,520
	<hr/>	<hr/>
	49,515	45,258
	<hr/>	<hr/>

The number of directors in defined contribution pension schemes was 1 (1997 1).

Skalar (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

5 Operating profit

This is arrived at after charging/(crediting):

	1998	1997
	£	£
Depreciation of tangible fixed assets		
- owned by the company	22,271	14,858
- held under finance leases	20,557	19,455
Auditors' remuneration	4,800	4,800
Hire of plant and machinery	3,085	2,316
Loss on sale of fixed assets	1,326	1,908
Research and development costs	3,906	2,959
Foreign exchange differences	20,211	(32,944)
	<hr/>	<hr/>

6 Interest payable and similar charges

	1998	1997
	£	£
On bank loans, overdrafts and other loans, repayable wholly or partly in more than 5 years	8,624	-
On finance leases and hire purchase contracts	5,746	5,610
	<hr/>	<hr/>
	14,370	5,610
	<hr/>	<hr/>

7 Taxation

	1998	1997
	£	£
<i>Current Year</i>		
UK Corporation Tax at 31.0% (1997 - 33.0%)	14,072	24,712
	<hr/>	<hr/>
	14,072	24,712
<i>Prior years</i>		
UK corporation tax	(2,494)	(39)
	<hr/>	<hr/>
	11,578	24,673
	<hr/>	<hr/>

Skalar (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 1998 (*Continued*)

8 Tangible assets

	Freehold Property £	Motor Vehicles £	Fixtures, Fittings, and Machinery £	Computer Equipment £	Total £
<i>Cost</i>					
At 1 January 1998	-	82,229	44,785	33,887	160,901
Additions	251,322	-	47,005	2,943	301,270
Disposals	-	-	(12,972)	(217)	(13,189)
At 31 December 1998	251,322	82,229	78,818	36,613	448,982
<i>Depreciation</i>					
At 1 January 1998	-	16,925	25,694	20,204	62,823
Provided for the year	3,737	20,557	11,615	6,919	42,828
Disposals	-	-	(11,520)	(214)	(11,734)
At 31 December 1998	3,737	37,482	25,789	26,909	93,917
<i>Net Book Value</i>					
At 31 December 1998	247,585	44,747	53,029	9,704	355,065
At 31 December 1997	-	65,304	19,091	13,683	98,078

Included above are assets held under finance leases or hire purchase contracts as follows:

	1998 £	1997 £
Motor vehicles	44,747	65,304

9 Stocks

	1998 £	1997 £
Goods for resale	110,832	104,334

Skalar (UK) Limited**Notes forming part of the financial statements for the year ended 31 December 1998 (Continued)****10 Debtors**

	1998	1997
	£	£
Trade debtors	207,424	105,501
Due from parent and fellow subsidiaries	-	262
Other debtors	1,562	1,809
Prepayments and accrued income	28,062	19,564
	<hr/>	<hr/>
	237,048	127,136
	<hr/>	<hr/>

All amounts shown under debtors fall due for payment within one year.

11 Creditors: amounts falling due within one year

	1998	1997
	£	£
Bank Loan (secured)	13,686	-
Net obligations under finance lease and hire purchase contracts	28,048	20,003
Trade creditors	51,876	40,294
Amounts owed to parent and fellow subsidiaries	258,258	182,573
Corporation tax	14,072	24,712
Taxation and social security	47,636	33,791
Accruals and deferred income	10,753	9,743
	<hr/>	<hr/>
	424,329	311,116
	<hr/>	<hr/>

Skalar (UK) Limited**Notes forming part of the financial statements for the year ended 31 December 1998 (Continued)****12 Creditors: amounts falling due after more than one year**

	1998	1997
	£	£
Bank Loan (secured)	179,906	-
Net obligations under finance lease and hire purchase contracts	8,085	36,134
	<u>187,991</u>	<u>36,134</u>

Included within the above are amounts falling due as follows:

In 1 - 2 years:

Bank Loan instalments	14,930	-
Finance lease and hire purchase obligations	8,085	28,048

In 2 - 5 years:

Bank Loan instalments	53,448	-
Finance lease and hire purchase obligations	-	8,086

In more than 5 years:

Bank Loan instalments	111,528	-
	<u>187,991</u>	<u>36,134</u>

The Bank Loan is secured by a fixed charge over the freehold property and a fixed floating charge over all other assets of the company. The Bank Loan is repayable by monthly instalments over 10 years (1 July 1998 to 30 June 2008). Interest is charged at a fixed rate of 8.74%.

Skalar (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 1998 *(Continued)*

13 Provisions for liabilities and charges

Deferred Taxation

	1998		1997	
	Unprovided £	Provided in accounts £	Unprovided £	Provided in accounts £
Accelerated capital allowances	819	-	(1,480)	-
	<u>819</u>	<u>-</u>	<u>(1,480)</u>	<u>-</u>

14 Called up share capital

	Authorised		Allotted, called up and fully paid	
	1998 £	1997 £	1998 £	1997 £
Ordinary shares of £1.00 each	100,000	100,000	100	100
	<u>100,000</u>	<u>100,000</u>	<u>100</u>	<u>100</u>

15 Reconciliation of movements on shareholders' funds

	1998 £	1997 £
Profit for the year	36,093	48,327
Opening shareholders' funds	112,162	63,835
	<u>148,255</u>	<u>112,162</u>
Closing shareholders' funds	<u>148,255</u>	<u>112,162</u>

Skalar (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 1998 *(Continued)*

16 Commitments under operating leases

As at 31 December 1998 the company had annual commitments under non-cancelable operating leases as set out below:

	1998		1997	
	Buildings	Other	Buildings	Other
	£	£	£	£
Operating leases which expire:				
In two to five years	-	2,648	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

17 Cash flow statement

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statement", not to prepare a cash flow statement as the directors believe the company is a "small entity" as defined under sections 246 and 247 of the Companies Act 1985.

18 Related party transactions

During the year the company made sales (including recharges of costs) of £12,861 (1997 - £20,882) to group companies and made purchases (including foreign exchange differences, research & development costs and management fees) of £458,808 (1997 - £334,398) from group companies.

19 Ultimate parent company

The company's ultimate parent company is Skalar Holding BV, a private limited company incorporated in Holland.