

INSPEC FAR EAST LIMITED

(Registered Number 2723173)

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1997



INSPEC FAR EAST LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their report and accounts for the Company for the year ended 31 December 1997.

ACTIVITIES

The Company provides sales and marketing facilities for other companies within the Inspec Group of Companies.

PROFIT AND DIVIDENDS

The profit after taxation for the year amounted to £8,000. The directors do not propose to pay a dividend.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year and the interests of the directors and their families in the shares of the ultimate holding company, Inspec Group plc, were as follows:

	31 December 1997	31 December 1996
	Ordinary	Ordinary
	<u>2p Shares</u>	<u>2p Shares</u>
Mr A C Currie	See below	See below
Mr Y C Yang	See below	See below

Mr Currie is a director of the holding company, Inspec Group plc, in whose accounts details of his interests are shown. As at 31 December 1996 and 31 December 1997 Mr Yang had an interest in £3,000 of Convertible ISCL Loan Stock and BEF 8,000 of Convertible Inspec Belgium Loan Stock, both issued by Inspec Group plc.

AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

INSPEC FAR EAST LIMITED

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year then ended. In preparing these 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;
- prepare the financial statements on a 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.

On behalf of the Board



A C Currie
Director
3rd March 1998

INSPEC FAR EAST LIMITED

AUDITORS' REPORT TO THE MEMBERS OF INSPEC FAR EAST LIMITED

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of 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.

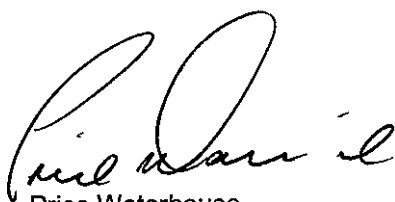
Basis of opinion

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 disclosure 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants and Registered Auditors

Newcastle-upon-Tyne

3rd March 1998

INSPEC FAR EAST LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u> £'000	<u>1996</u> £'000
Other operating income		100	137
Administrative expenses		<u>(76)</u>	<u>(206)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	24	(69)
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	4	<u>(16)</u>	<u>-</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		8	(69)
Dividends		<u>-</u>	<u>-</u>
AMOUNT TRANSFERRED TO/(WITHDRAWN FROM) RESERVES	10	<u>8</u>	<u>(69)</u>

The Company has no recognised gains or losses other than the profit for the year. There is no material difference between the profit for the year and losses on an historical cost basis.

The notes on pages 7 to 9 form part of these accounts

INSPEC FAR EAST LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

	Note	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	5	<u>17</u>	<u>49</u>
CURRENT ASSETS			
Stocks	6	2	4
Debtors	7	23	87
Cash at bank and in hand		12	71
		<u>37</u>	<u>162</u>
CREDITORS - amounts falling due within one year	8	<u>172</u>	<u>337</u>
NET CURRENT LIABILITIES		<u>(135)</u>	<u>(175)</u>
NET LIABILITIES		<u>(118)</u>	<u>(126)</u>
CAPITAL AND RESERVES			
Called up equity share capital	9	10	10
Profit and loss account	10	(128)	(136)
		<u>(118)</u>	<u>(126)</u>

Approved by the Board on
3rd March 1998



A C Currie
Director

The notes on pages 7 to 9 form part of these accounts

INSPEC FAR EAST LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>1997</u> £'000	<u>1996</u> £'000
Profit/(Loss) for the financial year	8	(69)
Net movement in shareholders' funds	<u>8</u>	<u>(69)</u>
Opening shareholders' funds	(126)	(57)
Closing shareholders' funds	<u>(118)</u>	<u>(126)</u>

The notes on pages 7 to 9 form part of these accounts

INSPEC FAR EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Deferred taxation

Provision is made, using the liability method, for all tax deferred by timing differences to the extent that there is reasonable probability that the tax deferral will crystallise in the foreseeable future.

(c) Depreciation

The cost of tangible fixed assets is written off over their estimated useful lives. The following annual depreciation rates are applied on a straight line basis:

Plant and machinery	20%
Office equipment and furniture	5%

(d) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value.

(e) Cash flow statement

The Company, being a wholly owned subsidiary, has taken advantage of the exemption under Financial Reporting Standard No. 1 (revised 1996) "Cash Flow Statements" not to prepare a Cash Flow Statement.

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging the following:

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Staff cost - Gross pay	48	89
- National pension	1	1
Depreciation of tangible fixed assets	17	25
Auditors' remuneration	-	-
	<u> </u>	<u> </u>

3 DIRECTORS AND EMPLOYEES (INCLUDING ONE DIRECTOR)

(a) The average numbers of employees for the period were as follows:

	<u>1997</u>	<u>1996</u>
Administration	3	3
	<u> </u>	<u> </u>

(b) Directors' emoluments

During the period Mr Currie, who received no emoluments for services rendered to this Company, was a director of Inspec Group plc, in whose accounts information required by the Companies Act 1985 is shown.

INSPEC FAR EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997(CONTINUED)

4 TAXATION

	<u>1997</u> £'000	<u>1996</u> £'000
Current year corporation tax at 31%	<u>16</u>	<u>-</u>

5 TANGIBLE FIXED ASSETS

	<u>Plant and machinery</u> £'000	<u>Fixtures and fittings</u> £'000	<u>Total</u> £'000
Cost			
At 1 January 1997	28	45	73
Additions	-	1	1
FX	(14)	(21)	(35)
At 31 December 1997	<u>14</u>	<u>25</u>	<u>39</u>
Depreciation			
At 1 January 1997	8	16	24
Charge for the year	6	11	17
FX	(6)	(13)	(19)
At 31 December 1997	<u>8</u>	<u>14</u>	<u>22</u>
Net book amount			
At 31 December 1997	<u>6</u>	<u>11</u>	<u>17</u>
At 1 January 1997	<u>20</u>	<u>29</u>	<u>49</u>

6 STOCKS

	<u>1997</u> £'000	<u>1996</u> £'000
Finished goods and goods for resale	<u>2</u>	<u>4</u>

7 DEBTORS

Amounts falling due within one year

	<u>1997</u> £'000	<u>1996</u> £'000
Other debtors	13	66
Amount owed by parent company	<u>10</u>	<u>21</u>
	<u>23</u>	<u>87</u>

INSPEC FAR EAST LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997 (CONTINUED)

8 CREDITORS - Amounts falling due within one year

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts owed to parent undertaking	152	336
Corporation tax	16	-
Other taxation and social security	4	1
	<u>172</u>	<u>337</u>

9 CALLED UP EQUITY SHARE CAPITAL

	<u>1997</u> £'000	<u>1996</u> £'000
Authorised		
10,000 Ordinary Shares £1	<u>10</u>	<u>10</u>
Issued		
10,000 Ordinary Shares £1	<u>10</u>	<u>10</u>

10 PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 1997	(136)
Profit for the year	<u>8</u>
At 31 December 1997	<u>(128)</u>

The holding company, Inspec Group plc, has confirmed that it will support the day to day operations of the Company for the foreseeable future.

11 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and the ultimate controlling party is Inspec Group plc, a company registered in England, of which the Company is a wholly owned subsidiary. Consolidated accounts for Inspec Group plc incorporating the results of this Company as at 31 December 1997 may be obtained from:

Inspec Group plc
Charleston Road
Hardley
Hythe
Southampton SO45 3ZG

Transactions with other companies within the Inspec Group have not been disclosed as the Company has taken advantage of the exemption available under Financial Reporting Standard No. 8 - Related Party Disclosures.