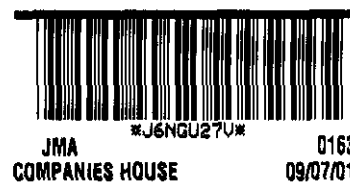


Sybron Chemicals International Holdings
Limited

Annual report
for the year ended 31 December 1999

Registered Number 3484391



Sybron Chemicals International Holdings Limited

Annual report

for the year ended 31 December 1999

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Sybron Chemicals International Holdings Limited

Directors and Advisors for the year ended 31 December 1999

Directors

S F Ladin

R Klein (resigned 15 February 2001)

R Pott (appointed 15 February 2001)

Secretary

Pensec Limited

Auditors

PricewaterhouseCoopers

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

Bankers

Lloyds TSB

53 King Street

Manchester

M2 4LQ

Solicitors

Pennington Limited

First Floor

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83 Cannon Street

London

EC4 N8PE

Registered Office

Sybron Chemicals Inc

P O Box 66

Birmingham Road

Birmingham

New Jersey 08011,

USA

Registered Number

3484391

Sybron Chemicals International Holdings Limited

Directors' report for the year ended 31 December 1999

The directors present their report and the audited financial statements of the group and company for the year ended 31 December 1999.

Principal activities

The company is a holding company for the purpose of holding the shares of all the Sybron European companies.

The group's principal activity during the year was to develop, produce and market specialty chemicals in textile preparation, dyeing, printing, finishing and garment processing. Products include Tanatex® dyehouse chemicals, Jersey State™, Auralux™ and other finishing chemicals for the textile and carpet industries and Ocean Wash® products for the garment processing industry.

Results and dividends

The group profit for the year after taxation was £4,532,000 (1998: £4,855,000). The directors recommended a final dividend of £645 (1998: £679) per share leaving £3,887,000 as transferred to reserves.

Review of business and future developments

The company is expected to continue as a holding company for the foreseeable future.

In the Textile Chemical Specialities segment, the company is focusing on increasing market penetration in existing major markets such as the U.S. and Europe and growing developing markets in Latin America, Asia, Eastern Europe and the Middle East. The company will continue new product development including more environmentally friendly alternatives to existing products.

Growth opportunities in the Environmental Product Services segment include: further penetration into the toner and laser printer markets; increased share of the U.S. and export ion exchange markets; and expansion of the biochemical waste treatment and consumer/institutional business in the U.S. and Europe.

In addition, the company continues to actively pursue niche acquisitions that, together with synergies gained with the existing businesses, would provide both top and bottom line growth and accretive earnings per share.

Directors and their interests

The directors who held office during the year are given below:

S F Ladin

R Klein (resigned 15 February 2001)

R Pott was appointed on 15 February 2001

None of the directors of the company had any interests in the ordinary shares of the company or of the parent undertaking. None of the directors had any interest, direct or indirect, in any contract entered into by the company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

Sybron Chemicals International Holdings Limited

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 1999 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and group and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Research and development

Each of the company's individual business groups has its own dedicated research and development activities. The company's research and development in textile chemicals has created several new products in the past year. Products developed include: environmentally friendly dye machine cleaners, EnviroShine for the interior and Surfclean™ for the exterior; Ultralux, an innovative non-yellowing softener for unique fabric finishing; Astraplush® for the bulking of polypropylene and polyester fiber to impart a more luxurious hand; Astralprint® which greatly improves dye fastness on pigment printed fabrics; Tanacid® NA, an environmental friendly surfactant free detergent; Tanaterge Rex, a mineral based post scouring agent for reactive dyes; and Plexene®, an environmental friendly biopolymer for Ca-dispersing. Research and development costs for 1999 were £842,000 (1998: £808,000).

Disabled persons

It is the policy of the group that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The group is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's abilities.

Employee involvement

The group maintains its commitment to pro-active programs for involving its employees in group affairs. This is achieved in a variety of ways, including regular publication of newsletters and staff newspapers.

Policy and practice on payment of creditors

The group agrees payment terms with its suppliers when it enters into binding purchase contracts. The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions.

The group had 44 (1998: 48) days purchases outstanding at 31 December 1999 based on the average daily amount invoiced by suppliers during the period.

Introduction of the Euro

The group has had limited dealings in Euro to date. Euro transactions are treated like any other currency and the group has not incurred significant modification costs to date. The directors continue to monitor the potential impact on the business.

Sybron Chemicals International Holdings Limited

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in cursive script, appearing to read 'S F Ladin', written in dark ink.

S F Ladin
Director
15 June 2001

Sybron Chemicals International Holdings Limited

Auditors' report to the members of Sybron Chemicals International Holdings Limited

We have audited the financial statements on pages 6 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on pages 2 and 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 affairs of the company and the group as at 31 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
15 June 2001

Sybron Chemicals International Holdings Limited

Consolidated profit and loss account for the year ended 31 December 1999

	Note	1999 £'000	1998 £'000
Turnover	1	36,951	37,655
Cost of sales		(19,554)	(20,005)
Gross profit		17,397	17,650
Distribution costs		(6,829)	(6,733)
Administration costs		(3,745)	(3,832)
Operating profit on ordinary activities before interest and taxation	2	6,823	7,085
Net interest receivable	3	683	558
Profit on ordinary activities before taxation		7,506	7,643
Tax on profit on ordinary activities	4	(2,974)	(2,788)
Profit for the financial year		4,532	4,855
Dividends	6	(645)	(679)
Retained profit for the financial year	19	3,887	4,176

All results are derived from continuing operations.

Sybron Chemicals International Holdings Limited

Statement of group total recognised gains and losses for the year ended 31 December 1999

	1999	1998
	£'000	£'000
Profit attributable to shareholders	3,887	4,176
Exchange adjustments offset in reserves	(2,946)	1,609
Total recognised gains for the year	941	5,785

Reconciliation of movements in shareholders' funds

	1999		1998	
	Company £'000	Group £'000	Company £'000	Group £'000
Profit attributable to shareholders	639	4,532	696	4,855
Dividends	(645)	(645)	(679)	(679)
Share premium on shares issued during the period	-	-	17	23,502
Exchange adjustments	-	(2,946)	-	1,609
Net change in shareholders' funds	(6)	941	34	29,287
Equity shareholders' funds at 31 December 1998	35	29,288	1	1
Equity shareholders' funds at 31 December 1999	29	30,229	35	29,288

Sybron Chemicals International Holdings Limited

Balance sheet as at 31 December 1999

	Note	1999		1998	
		Company £'000	Group £'000	Company £'000	Group £'000
Fixed assets					
Intangible assets	7	-	-	-	278
Tangible assets	8	-	7,203	-	8,481
Investments	9	27	-	27	-
		27	7,203	27	8,759
Current assets					
Stocks	11	-	3,864	-	4,300
Debtors	12	-	19,735	-	20,707
Investments	10	-	5,954	-	4,283
Cash at bank and in hand		27	2,427	23	1,744
		27	31,980	23	31,034
Creditors: Amounts falling due within one year	13	(25)	(7,570)	(15)	(8,000)
Net current assets		2	24,410	8	23,034
Total assets less current liabilities		29	31,613	35	31,793
Creditors: Amounts falling due after more than one year	14	-	(650)	-	(537)
Provisions for liabilities and charges	15	-	(734)	-	(1,968)
Net assets		29	30,229	35	29,288
Capital and reserves					
Called up share capital	17	1	1	1	1
Share premium account	18	17	23,502	17	23,502
Profit and loss account	19	11	6,726	17	5,785
Equity shareholders' funds		29	30,229	35	29,288

The financial statements on pages 6 to 20 were approved by the board of directors on 15 June 2001 and signed on its behalf by:


S F Ladin
Director

Sybron Chemicals International Holdings Limited

Accounting policies

These financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The accounts have been prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings. Intra-group profits are eliminated on consolidation. Profits and losses of companies entering or leaving the Group are included from the date of acquisition or up to the date of disposal. The net assets of subsidiaries acquired are included on the basis of their fair value at the date of acquisition being the earlier of the date that consideration passes or an offer is declared unconditional.

Turnover

Turnover represents the value of goods and services invoiced to customers during the period after deducting returns and allowances and excluding all sales taxes.

Tangible fixed assets and depreciation

Tangible fixed assets are recorded at cost less accumulated depreciation.

Depreciation is calculated to write off the cost in equal annual installments over their estimated useful lives as follows:

Buildings	Over 10 to 40 years
Plant, vehicles and equipment	Over 3 to 20 years

Goodwill amortisation

Positive goodwill is amortised over twenty years being, in the opinion of the directors, the estimated useful economic life of the asset. During the year an impairment review was carried out by the directors. As a result, the goodwill was written down to £Nil.

Restrictive covenant payment

The restrictive covenant payment is held as an intangible asset in the financial statements and amortised over five years, being the period of the restrictive covenant agreement. During the year an impairment review was carried out by the directors. As a result, the intangible asset was written down to £Nil.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Sybron Chemicals International Holdings Limited

Deferred taxation

Deferred tax is provided on the liability method to the extent that it is considered probable that a liability will crystallise in the foreseeable future.

Operating leases

Annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to the company's defined benefit pension fund are based on the consulting actuaries' recommendations, and the related costs are charged to the profit and loss account when they are incurred. The assets are held separately from those of the company in independently administered funds.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Balances denominated in foreign currencies are translated into Sterling at the rate of exchange ruling at the balance sheet date. Resultant gains and losses are accounted through the profit and loss account. Exchange gains and losses arising on the retranslation of foreign currency net investments are accounted for through reserves.

Related party transactions

In accordance with Financial Reporting Standard Number 8, the directors have taken advantage of the exemption applicable to subsidiary undertakings not to disclose related party transactions with members of the Sybron Group of companies.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard Number 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent company publishes a consolidated cash flow statement which is publicly available (refer note 23).

Sybron Chemicals International Holdings Limited

Notes to the financial statements for the year ended 31 December 1999

1 Segmental reporting

	Turnover	
	1999 £'000	1998 £'000
Geographical analysis		
Europe	32,100	33,845
America	891	493
Asia, Pacific and Africa	3,960	3,317
	36,951	37,655

In the opinion of the directors the group operates in one class of business in European and South African markets.

2 Operating profit on ordinary activities before interest and taxation

Group	1999 £'000	1998 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible owned fixed assets	1,027	822
Amortisation of intangible assets	20	20
Intangible asset impairment provision (note 7)	265	-
Foreign exchange losses	82	89
Other operating lease rentals	428	368
Research and development	842	808
Auditors' remuneration:		
Audit fees	96	66
Non-audit fees	63	46

Sybron Chemicals International Holdings Limited

3 Net interest receivable

Group

	1999 £'000	1998 £'000
Interest payable on bank loans and overdrafts	(26)	(111)
Interest payable on other loans	(13)	(64)
Total interest payable	(39)	(175)
Bank interest receivable	83	70
Interest receivable from group undertakings	639	663
Net interest receivable	683	558

4 Tax on profit on ordinary activities

Group

	1999 £'000	1998 £'000
Overseas		
Corporation taxes	2,974	2,788

5 Profits of holding company

Of the profit attributable to shareholders, a loss of £6,000 (1998: profit £16,500) in respect of the company is dealt with in the financial statements of Sybron Chemicals International Holdings Limited. The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 not to present a profit and loss account for the company alone.

6 Dividends

Group

	1999 £'000	1998 £'000
Equity – ordinary		
Final proposed: £645 (1998: £679) per ordinary share	645	679

Sybron Chemicals International Holdings Limited

7 Intangible fixed assets

Group	Goodwill	Restrictive covenant payment	Total
	£'000	£'000	£'000
Cost			
At 1 January 1999	275	29	304
Exchange difference	8	-	8
At 31 December 1999	283	29	312
Accumulated amortisation			
At 1 January 1999	18	8	26
Charge for the year	14	6	20
Impairment write down	250	15	265
Exchange difference	1	-	1
At 31 December 1999	283	29	312
Net book value			
At 31 December 1999	-	-	-
At 31 December 1998	257	21	278

Based upon an impairment review carried out it was decided to write the intangibles down to £Nil.

The company had no intangible fixed assets at 31 December 1999 (1998: £Nil).

Sybron Chemicals International Holdings Limited

8 Tangible fixed assets

Group

	Freehold land and buildings £'000	Plant, vehicles and equipment £'000	Assets under construction £'000	Total £'000
Cost				
At 1 January 1999	6,039	10,271	798	17,108
Foreign exchange	(606)	(1,067)	(34)	(1,707)
Additions	20	515	-	535
Transfers	-	685	(685)	-
Disposals	-	(183)	-	(183)
At 31 December 1999	5,453	10,221	79	15,753
Accumulated depreciation				
At 1 January 1999	1,633	6,994	-	8,627
Foreign exchange	(130)	(815)	-	(945)
Charge for the year	133	894	-	1,027
Disposals	-	(159)	-	(159)
At 31 December 1999	1,636	6,914	-	8,550
Net book value				
At 31 December 1999	3,817	3,307	79	7,203
At 31 December 1998	4,406	3,277	798	8,481

The company had no tangible fixed assets at 31 December 1999 (1998: Nil).

9 Fixed asset investments

Company

	1999 £'000	1998 £'000
Shares in group undertakings		
At 1 January 1999	27	-
Additions in year	-	23,512
Merger relief	-	(23,485)
At 31 December 1999	27	27

Advantage of s.132, CA 1985, was taken in the prior year, such that the share premium recorded is the excess of the lower of cost as defined by s.133(1), CA 1985 over the nominal value of shares issued.

Sybron Chemicals International Holdings Limited

The company has 100% interest in the following subsidiaries:

Name	Principal activity	Place of incorporation
Sybron Chemie Nederland B.V.	Manufacturing	Netherlands
Sybron Chemical Industries B.V.	Holding company	Netherlands
Sybron Chemie Holding B.V.	Holding company	Netherlands
Sybron Chemical Deutschland GmbH	Sales	Germany
Sybron Quimica Iberica, SA, Spain	Sales	Spain
Sybron Chimica Italia SPA	Sales	Italy
Sybron Chemicals (SA) (Proprietary) Limited	Manufacturing	South Africa
Sybron Chemicals Handelsgesellschaft	Sales	Austria
Sybron Kimyasal Uriner Ticaret Limited Sirket	Sales	Turkey
Sybron Chemie Nederland B.V. sucursal Portuguesa	Sales	Portugal
Sybron Chemicals U.K. Limited	Sales	United Kingdom
Sybron Chimie France, S.A.	Sales	France

10 Current asset investments

	1999		1998	
	Company £'000	Group £'000	Company £'000	Group £'000
Notes receivable	-	2,481	-	2,404
Short term deposits	-	3,473	-	1,879
	-	5,954	-	4,283

11 Stocks

	1999		1998	
	Company £'000	Group £'000	Company £'000	Group £'000
Raw materials	-	1,053	-	1,070
Finished products	-	2,811	-	3,230
	-	3,864	-	4,300

Sybron Chemicals International Holdings Limited

12 Debtors

	1999		1998	
	Company £'000	Group £'000	Company £'000	Group £'000
Amounts falling due within one year				
Trade debtors	-	10,015	-	9,411
Amounts owed by group undertakings	-	8,813	-	10,334
Prepayments	-	225	-	210
Other debtors	-	49	-	350
Pension prepayment	-	220	-	-
Corporation tax debtor	-	413	-	402
	-	19,735	-	20,707

13 Creditors: Amounts falling due within one year

	1999		1998	
	Company £'000	Group £'000	Company £'000	Group £'000
Bank overdraft	-	-	-	1,258
Trade creditors	7	2,914	5	3,168
Amounts owed to group undertakings	18	-	10	-
Corporation tax	-	895	-	316
Other tax and social security payable	-	226	-	278
Accruals and deferred income	-	3,535	-	2,980
	25	7,570	15	8,000

14 Creditors: Amounts falling due after more than one year

	1999		1998	
	Company £'000	Group £'000	Company £'000	Group £'000
Bank loans	-	650	-	537

Bank loans are denominated in a number of currencies and bear interest based on LIBOR appropriate to the country in which the borrowing is incurred.

Sybron Chemicals International Holdings Limited

15 Provisions for liabilities and charges

	1999		1998	
	Company £'000	Group £'000	Company £'000	Group £'000
Environmental provision				
At 1 January 1999	-	1,147	-	-
Additions	-	-	-	820
Exchange adjustments	-	(115)	-	14
Utilised in year	-	(344)	-	(48)
Increase in the year	-	-	-	361
At 31 December 1999	-	688	-	1,147
Pension provision				
At 1 January 1999	-	764	-	-
Additions	-	-	-	793
Charged to profit and loss account	-	359	-	368
Utilised in year	-	(1,123)	-	(397)
At 31 December 1999	-	-	-	764
Provision for deferred tax				
At 1 January 1999	-	57	-	-
Additions	-	-	-	55
Charged to profit and loss account	-	(11)	-	2
At 31 December 1999	-	46	-	57
Total provisions at 31 December 1999	-	734	-	1,968

Environmental provision

The environmental provision relates to an environmental study carried out by Sybron, resulting in a remediation plan with associated costs; the local authorities of the Netherlands accepted the plan and thus Sybron are proceeding with that plan.

Pension provision

As a result of calculations by the actuary the pension provision has become a pension prepayment and is now included in debtors, (refer note 12).

Sybron Chemicals International Holdings Limited

16 Deferred taxation

	1999		1998	
	Company £'000	Group £'000	Company £'000	Group £'000
Provision for deferred tax comprises:				
Accelerated capital allowances	-	35	-	47
Other	-	11	-	10
	-	46	-	57

There is no unprovided amounts of deferred taxation for timing differences.

17 Called up share capital

	Group and company	
	1999 £'000	1998 £'000
Authorised, allotted and fully paid		
1,000 ordinary shares of £1 each	1	1

18 Share premium account

	1999		1998	
	Company £'000	Group £'000	Company £'000	Group £'000
At 1 January 1999	17	23,502	-	-
Premium on shares issued during year	-	-	23,502	23,502
Merger relief	-	-	(23,485)	-
At 31 December 1999	17	23,502	17	23,502

19 Profit and loss account

	1999		1998	
	Company £'000	Group £'000	Company £'000	Group £'000
At 1 January 1999	17	5,785	-	-
Net exchange adjustments	-	(2,946)	-	1,609
Retained (loss)/profit for the year	(6)	3,887	17	4,176
At 31 December 1999	11	6,726	17	5,785

Sybron Chemicals International Holdings Limited

20 Employees and directors

	Group	
	1999	1998
	£'000	£'000
Staff costs		
Wages and salaries	5,621	5,356
Social security costs	960	859
Other pension costs	557	577
	7,138	6,792

The average weekly number of persons (including executive directors) employed during the year is as follows:

By activity	Number	Number
Manufacturing	56	59
Selling	109	107
Administration	34	33
Research and development	18	16
	217	215

The directors received £Nil remuneration for their services to the company and group during the year ended 31 December 1999 (1998: £Nil).

21 Pension commitments

The group operates a number of defined benefit and contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. For defined contribution schemes the pension cost charge represents contributions payable by the company to the funds and are shown as part of the pension charge in Note 20. The defined benefit schemes are operated by overseas subsidiary undertakings and the pension charge shown in the accounts approximates to a SSAP 24 pension charge.

22 Operating lease commitments

At 31 December 1999, the group had lease agreements for which payments extended over a number of years.

	1999	1998
	£'000	£'000
Annual commitments under non-cancellable operating leases expiring:		
Within one year	108	114
Within two to five years	209	88
	317	202

Sybron Chemicals International Holdings Limited

23 Ultimate parent undertaking

The immediate parent company is Sybron Chemical Holding, Inc.

The ultimate parent company at year end is Sybron Chemicals Inc., which is incorporated in the United States of America.

Sybron Chemicals Inc., a company registered in the United States of America, is the ultimate parent undertaking for which group financial statements are drawn up and of which this company and group is a member. Copies of the financial statements of Sybron Chemicals Inc. are available from P O Box 66, Birmingham Road, Birmingham, New Jersey 08011, USA.

24 Subsequent event

On 23 October 2000, Sybron Chemicals Inc. was purchased by Bayer AG, a company registered in Germany. The directors now regard Bayer AG as the ultimate parent company.