

METROLOGIC INSTRUMENTS UK LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

Company Registration Number 3930944 (England and Wales)



METROLOGIC INSTRUMENTS UK LIMITED

COMPANY INFORMATION

Directors	C H Knowles B A Noens
Secretary	Pennsec Limited
Company number	3930944
Registered office	da Vinci House Basing View Basingstoke Hampshire
Accountants	Tenon Limited Clifton House Bunnian Place Basingstoke Hampshire
Auditors	Blueprint Audit Limited Clifton House Bunnian Place Basingstoke Hampshire
Business address	Unit 58 Tempus Business Centre Kingsclere Road Basingstoke
Bankers	HSBC 8 London Street Basingstoke Hampshire

METROLOGIC INSTRUMENTS UK LIMITED

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METROLOGIC INSTRUMENTS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business

The principal activity of the company is that of a distributor of bar code scanning equipment incorporating laser and holographic technology.

The results for the year and the financial position at the year end were disappointing however the directors are confident that the company will grow in the future as it continues to build on the markets it is developing.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2003:

C H Knowles

B A Noens

T E Mills

(Resigned 22 February 2004)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2003	1 January 2003
C H Knowles	-	-
T E Mills	-	-
B A Noens	-	-

The directors are also directors of the ultimate parent company. They are not required to disclose their interests in the share capital of that company to this company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Blueprint Audit Limited be reappointed as auditors of the company will be put to the Annual General Meeting.

METROLOGIC INSTRUMENTS UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

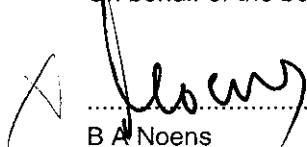
Directors' responsibilities

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

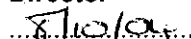
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



B A Noens

Director



METROLOGIC INSTRUMENTS UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF METROLOGIC INSTRUMENTS UK LIMITED

We have audited the financial statements of Metrologic Instruments UK Limited on pages 4 to 11 for the year ended 31 December 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 United Kingdom 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 company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Blueprint Audit Limited
Registered Auditor

Date: 26 October 2004

Clifton House
Bunnian Place
Basingstoke
Hampshire

METROLOGIC INSTRUMENTS UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	2	5,591,422	3,435,476
Cost of sales		(5,162,558)	(2,827,425)
Gross profit		428,864	608,051
Administrative expenses		(797,618)	(611,095)
Operating loss	3	(368,754)	(3,044)
Other interest receivable and similar income	4	1,427	12
Interest payable and similar charges	5	(32,749)	-
Loss on ordinary activities before taxation		(400,076)	(3,032)
Tax on loss on ordinary activities	6	5,264	(5,264)
Loss on ordinary activities after taxation	13	(394,812)	(8,296)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

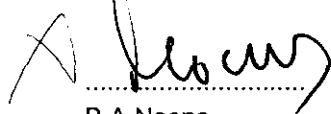
There are no recognised gains and losses other than those passing through the profit and loss account.

METROLOGIC INSTRUMENTS UK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	7		24,566		19,914
Current assets					
Stocks	8	55,330		90,926	
Debtors	9	1,678,275		969,521	
Cash at bank and in hand		144,902		102,404	
		<u>1,878,507</u>		<u>1,162,851</u>	
Creditors: amounts falling due within one year	10	<u>(2,191,311)</u>		<u>(1,076,191)</u>	
Net current (liabilities)/assets			<u>(312,804)</u>		<u>86,660</u>
Total assets less current liabilities			<u>(288,238)</u>		<u>106,574</u>
Capital and reserves					
Called up share capital	12	50,000		50,000	
Profit and loss account	13	(338,238)		56,574	
Shareholders' (deficit) / funds - equity interests	14	<u>(288,238)</u>		<u>106,574</u>	

The financial statements were approved by the Board on 8.12.04...



B A Noens
Director

METROLOGIC INSTRUMENTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company's main supplier is its parent company and the accounts have been prepared on the basis of their continued support. The directors are not aware of any reason that this support will not continue for a period of at least 12 months from the date of signing the financial statements.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Building improvements	20% straight line
Computer equipment	33% straight line
Fixtures, fittings & equipment	10% - 100% straight line

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Stock

Stock is valued at the lower of cost and net realisable value.

1.7 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

METROLOGIC INSTRUMENTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

2 Turnover

Geographical market

	Turnover	
	2003	2002
	£	£
UK	3,844,036	3,004,261
Europe	1,747,386	431,215
	<u>5,591,422</u>	<u>3,435,476</u>

3 Operating loss

	2003	2002
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	11,829	21,177
Loss on foreign exchange transactions	165,996	27,919
Operating lease rentals	44,687	47,266
Auditors' remuneration	2,700	2,675
	<u>224,212</u>	<u>99,037</u>

None of the directors received any remuneration from the company in respect of their services as directors.

4 Investment income

	2003	2002
	£	£
Bank interest	1,427	12
	<u>1,427</u>	<u>12</u>

5 Interest payable

	2003	2002
	£	£
On invoice discounting	32,749	-
	<u>32,749</u>	<u>-</u>

METROLOGIC INSTRUMENTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

6 Taxation

	£	£
Domestic current year tax		
U.K. corporation tax	(5,264)	5,264
Current tax charge	(5,264)	5,264
 (Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2002: 30.00%)	-	(910)
Effects of:		
Non deductible expenses	-	5,956
Depreciation add back	-	6,353
Capital allowances	-	(3,725)
Tax losses utilised	(5,264)	-
Other tax adjustments	-	(2,410)
	(5,264)	6,174

At the year end there were tax losses available to carry forward of £377,134. No deferred tax asset has been provided due to the inherent uncertainties surrounding the timing of future taxable profits.

7 Tangible fixed assets

	Building improvements	Computer equipment	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 January 2003	-	39,626	29,798	69,424
Additions	3,951	9,758	2,772	16,481
At 31 December 2003	3,951	49,384	32,570	85,905
Depreciation				
At 1 January 2003	-	30,522	18,988	49,510
Charge for the year	620	6,331	4,878	11,829
At 31 December 2003	620	36,853	23,866	61,339
Net book value				
At 31 December 2003	3,331	12,531	8,704	24,566
At 31 December 2002	-	9,104	10,810	19,914

METROLOGIC INSTRUMENTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

8	Stocks	2003 £	2002 £
	<i>Finished goods and goods for resale</i>	<u>55,330</u>	<u>90,926</u>

9	Debtors	2003 £	2002 £
	Trade debtors	1,650,605	917,727
	Corporation tax	5,264	-
	Called up share capital not paid	-	37,500
	Other debtors	2,191	2,191
	Prepayments and accrued income	20,215	12,103
		<u>1,678,275</u>	<u>969,521</u>

At the year end, trade debtors of £1,564,641 were secured under an invoice discounting arrangement with GE Commercial Finance Limited.

10	Creditors: amounts falling due within one year	2003 £	2002 £
	Trade creditors	73,888	8,553
	Amounts owed to parent and fellow subsidiary undertakings	1,442,486	873,692
	Corporation tax	-	5,264
	Other taxes and social security costs	144,263	137,433
	Other creditors	491,320	-
	Accruals and deferred income	39,354	51,249
		<u>2,191,311</u>	<u>1,076,191</u>

Included within other creditors is £491,320 due to third parties under an invoice discounting arrangement.

METROLOGIC INSTRUMENTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

11 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. Contributions totalling £577 (2002: £nil) were payable to the fund at the year end and are included within creditors.

	2003 £	2002 £
Contributions payable by the company for the year	5,902	4,359

12 Share capital

	2003 £	2002 £
Authorised		
50,000 Ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000

13 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2003	56,574
Loss for the year	(394,812)
Balance at 31 December 2003	(338,238)

14 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Loss for the financial year	(394,812)	(8,296)
Opening shareholders' funds	106,574	114,870
Closing shareholders' deficit	(288,238)	106,574

METROLOGIC INSTRUMENTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

15 Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			
	2003	2002	2003	Other
	£	£	£	2002
				£
Expiry date:				
Within one year	-	30,000	12,445	3,211
Between two and five years	30,000	-	15,705	12,216
	<u>30,000</u>	<u>30,000</u>	<u>28,150</u>	<u>15,427</u>

16 Employees

Number of employees

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

	2003	2002
	Number	Number
Sales and marketing	3	3
Administration	4	3
Technicians	1	1
	<u>8</u>	<u>7</u>

Employment costs

	£	£
Wages and salaries	284,329	203,998
Social security costs	29,046	17,543
Other pension costs	5,902	4,359
	<u>319,277</u>	<u>225,900</u>

17 Control

The ultimate parent company and controlling party is Metrologic Instruments Inc. a company registered in North America. Copies of the group accounts are available from Metrologic Instruments Inc., 90 Coles Road, Blackwood, NJ 08012.

METROLOGIC INSTRUMENTS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) ***FOR THE YEAR ENDED 31 DECEMBER 2003***

18 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.