ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED
(Registration Number 1699760)

REPORT AND ACCOUNTS

31 DECEMBER 1999

Jackson & Co
Chartered Accountants
Parkway House
Sheen Lane
London SW14 8LS

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ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

DIRECTOR

P E J McDermott

SECRETARY

M S-M Green

AUDITORS

Jackson & Co
Chartered Accountants
Parkway House
Sheen Lane
London SW14 8LS

BANKERS

National Westminster Bank Plc
156 Fleet Street
London SW14 2DX

REGISTERED OFFICE

Lacon House
Theobald's Road
London WC1X 8RW

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

REPORT AND ACCOUNTS

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ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

DIRECTOR'S REPORT

The Director presents his report together with the accounts of the Company for the year ended 31 December 1999.

PRINCIPAL ACTIVITY

The principal activity of the group continues to be the sale of gas turbine cleaning systems.

DIRECTOR

The director in office in the year and his beneficial interests in the Company's issued ordinary share capital were as follows:-

	31 December 1999	1 January 1999
P E J McDermott	-	-

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of the affairs of the Company and of the profit and loss of the Company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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.

YEAR 2000

The Company continues to have in place a programme to monitor the risks posed by the consequence of the Year 2000 date change. The programme has investigated the perceived risk factors as regards its suppliers, commercial operating systems, manufacturing facilities, products and customers. The director remains confident that action taken is ensuring that all such risks are minimised.

DIRECTOR'S REPORT (continued)

AUDITORS

The auditors, Jackson & Co Chartered Accountants, are deemed to be reappointed in accordance with section 385 of the Companies Act 1985.

SMALL COMPANY PROVISIONS

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the board of directors

P E J McDermott
Director

30 September 2000

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

AUDITORS' REPORT

We have audited the accounts on pages 4 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 6

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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. The audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

JACKSON & CO
Chartered Accountants
Parkway House
Sheen Lane
London SW14 8LS

30 September 2000

Registered Auditors

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR TO

31 DECEMBER 1999

	Notes	1999 £	1998 £
Turnover	2	1,331,361	1,514,464
Cost of Sales		(592,727)	(734,202)
Gross Profit		738,634	780,262
Administrative Expenses		(701,306)	(676,251)
Operating Profit	3	37,328	104,011
Interest Receivable		-	180
Interest Payable		(6,674)	(17,336)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		30,654	86,855
Taxation	6	(7,362)	(25,155)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		23,292	61,700
RETAINED PROFIT AT 1 JANUARY 1999		169,438	107,738
RETAINED PROFIT AT 31 DECEMBER 1999		£192,730	£169,438

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the profit for the above two financial years.

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

BALANCE SHEET AT 31 DECEMBER 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	4	231,836	227,105
CURRENT ASSETS			
Stock		95,127	111,927
Debtors	9	117,640	233,480
Cash on hand and at bank		30,410	971
		243,177	346,378
CREDITORS: Amounts falling due within one year	7	(103,125)	(220,973)
NET CURRENT ASSETS		140,052	125,405
TOTAL ASSETS LESS CURRENT LIABILITIES		371,888	352,510
CREDITORS: Amounts falling due after more than one year	8	(29,158)	(33,072)
		£342,730	£319,438
Represented by:			
CAPITAL AND RESERVES			
Called up share capital	5	150,000	150,000
Profit and loss account		192,730	169,438
SHAREHOLDERS' FUNDS	13	£342,730	£319,438

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the Board of Directors

P J McDermott
Director

Approved by the Board
30 September 2000

The notes on pages 6-11 form part of these accounts

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1999

1 **Accounting Policies**

(1) Basis of Accounting

The financial statements have been prepared under the historical cost convention.

(ii) Turnover

Turnover represents the invoiced value of goods sold in the year, excluding Value Added Tax.

(iii) Tangible Fixed Assets

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

Furniture & Equipment	-	15% per annum of cost
Plant & Machinery	-	15% per annum of cost
Motor Vehicles	-	25% per annum of cost
Leasehold Property	-	pro rata over the period of the lease

(iv) Stock in Progress

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

(v) Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

Assets held under finance leases are initially reported as fixed assets at cost, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the term of the lease or its useful economic life if shorter. Finance charges are allocated to accounting periods in equal amounts over the period of the lease.

(vi) Pension Costs

Contributions in respect of the Company's defined contribution pension scheme are charged to the Profit and Loss Account for the year in which they are payable to the scheme.

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1999 (CONTINUED)

(vii) Foreign Currencies

Transactions denominated in foreign currencies are recorded at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

(viii) Research and Development

The Company builds prototypes for testing and analysing equipment and products for purposes of quality control. Hardware costs of prototype parts are capitalised as plant and machinery and amortised over its expected life; other related costs are written off in the year of expenditure.

2 Turnover

Turnover attributable to geographical markets outside the United Kingdom amounted to 68% (1998 - 69%)

3 Operating Profit

	1999	1998
The operating profit is stated after charging:		
Director's remuneration (including pension contributions)	71,437	56,058
Auditors' remuneration	2,850	2,850
Depreciation of tangible fixed assets	34,001	40,857

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1999 (CONTINUED)

4 Tangible Fixed Assets

	Leasehold Premises	Motor Vehicles	Plant & Machinery	Office Furniture & Equipment	Total
	£	£	£	£	£
Cost at 1.1.99	162,370	60,067	89,775	79,833	392,045
Additions	-	18,374	2,429	17,929	38,732
Disposals	-	(14,567)	-	-	(14,567)
At cost 31.12.99	£162,370	£63,874	92,204	97,762	416,210
Depreciation at 1.1.99	16,490	56,436	53,490	38,524	164,940
Charged	2,706	5,926	11,805	13,564	34,001
Eliminated on disposals	-	(14,567)	-	-	(14,567)
Depreciation at 31.12.99	19,196	47,795	65,295	52,088	184,374
Net book value at 31.12.99	£143,174	£16,079	£26,909	£45,674	£231,836
Net book value at 31.12.98	£145,880	£3,631	£36,285	£41,309	£227,105
Leased assets included in the above:					
Net book value at 31.12.99	£ -	£16,079	£ -	£ -	£16,079
Net book value at 31.12.98	£ -	£3,631	£ -	£ -	£3,631

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1999 (CONTINUED)

5 Share Capital

	1999 £	1998 £
Authorised		
150,000 ordinary shares of £1	£150,000	£150,000
Issued		
150,000 ordinary shares of £1	£150,000	£150,000

6 Taxation

	1999 £	1998 £
Corporation tax provision on the profit for the year	7,500	25,200
Taxation over-provided in respect of previous years	(138)	(45)
	£(7,362)	£25,155

7 Creditors: Amounts falling due within one year

	1999 £	1998 £
Bank overdraft	-	58,655
Creditors for taxation and social security	19,668	9,799
Accruals	8,200	21,864
Amount due to factor	-	21,562
Bank Loan	18,415	18,414
Amounts owed to group undertakings	-	-
Trade Creditors	28,635	50,428
Other Creditors	20,707	15,051
Corporation Tax	7,500	25,200
	£103,125	£220,973

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1999 (CONTINUED)

8 Creditors: Amounts falling due after more than one year

	1999 £	1998 £
Bank Loans (secured)		
- repayable within five years	18,389	33,072
Other		
- repayable within five years	10,769	-
	£29,158	£33,072

9 Debtors

	1999 £	1998 £
Trade Debtors	50,136	92,262
Other Debtors	13,708	27,161
Amounts owed by group undertakings	53,796	114,057
	£117,640	£233,480

10 Controlling Party and Ultimate Holding Company

The company is controlled by Rochem Technical Services (Holdings) AG, incorporated in Switzerland, which holds 100% of the issued share capital.

11 Related Parties

At the financial year-end the Company was owed £53,796 by the parent Company Rochem Technical Services (Holdings) AG. During the year the Company provided goods and services to the parent company valued at £877,291 (1998 - £982,355) and received goods and services valued at £766,569 (1998 - £688,777).

12 Guarantees and other financial commitments

Pension arrangements

The Company operates defined contribution pension schemes on behalf of the director and employees. The assets of each scheme are held separately from those to the Company in independently administered funds. The annual commitment under these schemes is for contributions of £30,281 (1998 - £27,293).

Operating leases	1999 £ Land and Buildings	1998 £ Land and Buildings
Operating leases which expire:		
- within one year	£ -	£ -
- in the second to fifth years inclusive	£ -	£ -
- over five years	£22,000	£22,000

13 Reconciliation of movements on shareholders' funds

	1999 £	1998 £
Profit for the financial year after taxation	23,292	61,700
Opening shareholders' fund at 1 January 1999	319,438	207,738
New share capital subscribed	-	50,000
Closing shareholders' funds at 31 December 1999	£342,730	£319,438