

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

REPORT AND ACCOUNTS

31 DECEMBER 1998



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

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

50 Stratton Street
London W1X 6NX

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 1998.

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 1998	1 January 1998
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P E J McDermott	-	-
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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 has in place a programme to establish the scope of the risks posed by the consequence of the Year 2000 date change, and to address those risks. The programme has investigated the perceived risk factors as regards its suppliers, commercial operating systems, manufacturing facilities, products and customers. The director is confident that the action taken to date and leading up to Year 2000 will ensure that all such risks are minimised.

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

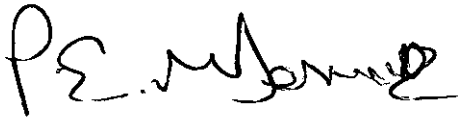
AUDITORS

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 1999

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.

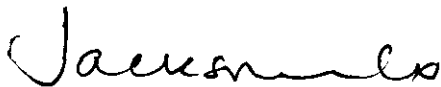
BASIS OF OPINION

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 1998 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 1999

Registered Auditors

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR TO

31 DECEMBER 1998

	Notes	1998 £	1997 £
Turnover	2	1,514,464	1,056,680
Cost of Sales		(734,202)	(419,544)
		<hr/>	<hr/>
Gross Profit		780,262	637,136
Administrative Expenses		(676,251)	(604,047)
		<hr/>	<hr/>
Operating Profit	3	104,011	33,089
Interest Receivable		180	186
Interest Payable		(17,336)	(13,390)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		86,855	19,885
Taxation	6	(25,155)	(5,188)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		61,700	14,697
RETAINED PROFIT AT 1 JANUARY 1998		107,738	93,041
		<hr/>	<hr/>
RETAINED PROFIT AT 31 DECEMBER 1998		£169,438	£107,738
		<hr/>	<hr/>

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 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	4	<u>227,105</u>	<u>241,799</u>
CURRENT ASSETS			
Stock		111,927	125,210
Debtors	9	233,480	126,075
Cash on hand and at bank		971	19,462
		<u>346,378</u>	<u>270,747</u>
CREDITORS: Amounts falling due within one year	7	(220,973)	(259,495)
NET CURRENT ASSETS		<u>125,405</u>	<u>11,252</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		352,510	253,051
CREDITORS: Amounts falling due after more than one year	8	(33,072)	(45,313)
		<u>£319,438</u>	<u>£207,738</u>
Represented by:			
CAPITAL AND RESERVES			
Called up share capital	5	150,000	100,000
Profit and loss account		<u>£169,438</u>	<u>107,738</u>
SHAREHOLDERS' FUNDS	13	<u>£319,438</u>	<u>£207,738</u>

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 1999

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

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1998

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.

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1998 (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 69% (1997 - 60%)

3 Operating Profit

The operating profit is stated after charging:	1998	1997
	£	£
Director's remuneration (including pension contributions)	56,058	56,164
Auditors' remuneration	2,850	2,450
Depreciation of tangible fixed assets	40,857	36,888

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1998 (CONTINUED)

4 Tangible Fixed Assets

	<u>Leasehold Premises</u>	<u>Motor Vehicles</u>	<u>Plant & Machinery</u>	<u>Office Furniture & Equipment</u>	<u>Total</u>
	£	£	£	£	£
Cost at 1.1.98	162,370	60,067	87,895	55,550	365,882
Additions	-	-	1,880	24,283	26,163
Transfers	-	-	-	-	-
At cost 31.12.98	162,370	60,067	89,775	79,833	392,045
Depreciation at 1.1.98	13,784	41,420	41,558	27,321	124,083
Charged	2,706	15,016	11,932	11,203	40,857
Depreciation at 31.12.98	16,490	56,436	53,490	38,524	164,940
Net book value at 31.12.98	£145,880	£3,631	£36,285	£41,309	£227,105
Net book value at 31.12.97	£148,586	£18,647	£46,337	£28,229	£241,799
Leased assets included in the above:					
Net book value at 31.12.98	£ -	£3,631	£ -	£ -	£3,631
Net book value at 31.12.97	£ -	£18,647	£ -	£ -	£18,647

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1998 (CONTINUED)

5	Share Capital	1998	1997
		£	£
	<u>Authorised</u>		
	At 1 January 1998		
	-100,000 ordinary shares of £1	<u>100,000</u>	<u>100,000</u>
	Increase in authorised share capital in year		
	- 50,000 ordinary shares of £1	<u>50,000</u>	<u>-</u>
	At 31 December 1998	<u>£150,000</u>	<u>£100,000</u>
	<u>Issued</u>		
	At 1 January 1998		
	- 100,000 ordinary shares of £1	100,000	100,000
	Increase in issued share capital in year		
	- 50,000 ordinary shares of £1	<u>50,000</u>	<u>-</u>
	At 31 December 1998	<u>£150,000</u>	<u>£100,000</u>
6	Taxation	1998	1997
		£	£
	Corporation tax provision on the profit for the year	25,200	8,300
	Taxation over-provided in respect of previous years	(45)	(3,112)
		<u>£ 25,155</u>	<u>£5,188</u>
7	Creditors: Amounts falling due within one year	1998	1997
		£	£
	Bank overdraft	58,655	-
	Creditors for taxation and social security	9,799	6,329
	Accruals	21,864	23,509
	Amount due to factor	21,562	51,445
	Bank Loan	18,415	18,415
	Amounts owed to group undertakings	-	32,143
	Trade Creditors	50,428	94,387
	Other Creditors	15,050	23,323
	Corporation Tax	<u>25,200</u>	<u>9,944</u>
		<u>£220,973</u>	<u>£259,495</u>

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1998 (CONTINUED)

The amount due to factor of £21,562 included in short-term creditors is the net position arising from the assignment of trade debts and comprises:

	1998	1997
	£	£
Amount due 1 January 1998	51,445	62,026
Advances to the Company by factor	559,200	546,673
Factoring charges and interest	18,959	15,221
	<hr/>	<hr/>
	629,604	623,920
<u>Less</u> debtor cash received by factor	608,042	572,475
	<hr/>	<hr/>
	<u>£21,562</u>	<u>£51,445</u>

8 Creditors: Amounts falling due after more than one year

	1998	1997
	£	£
Bank Loans (secured)		
- repayable within five years	£ <u>33,072</u>	£ <u>45,313</u>

9 Debtors

	1998	1997
	£	£
Trade Debtors	92,262	108,337
Other Debtors	27,161	17,738
Amounts owed by group undertakings	114,057	-
	<hr/>	<hr/>
	<u>£233,480</u>	<u>£126,075</u>

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 £114,057 by the parent Company Rochem Technical Services (Holdings) AG. During the year the Company provided goods and services to the parent company valued at £982,355 (1997-£569,545) and received goods and services valued at £687,777 (1997 - £433,328).

ROCHEM TECHNICAL SERVICES (EUROPE) LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1998 (CONTINUED)

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 £27,293 (1997 - £25,026)

<u>Operating leases</u>	1998 £	1997 £
	Land and Buildings	Land and Buildings
Operating leases which expire:		
- within one year	£ -	£ -
- in the second to fifth years inclusive	£ -	£6,000
- over five years	£ 23,000	£ -

13 Reconciliation of movements on shareholders' funds

	1998 £	1997 £
Profit for the financial year after taxation	61,700	14,697
Opening shareholders' funds at 1 January 1998	207,738	193,041
New share capital subscribed	50,000	-
Closing shareholders' funds at 31 December 1998	<u>£319,438</u>	<u>£207,738</u>