

Med-Lab Limited

Directors' report and financial statements

31 March 2007

Registered number 540182



Med-Lab Limited

Directors' report and financial statements

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Med-Lab Limited

Directors' report

The directors present their annual report and the audited financial statements for the year to 31 March 2007

Principal activities & business review

The principal activity of the company is the distribution of chemicals and fuel testing equipment to the aerospace and petroleum industries

The results for the year are shown in the profit and loss account on page 7. The company continued to trade well during the year, and with a strong financial position we look forward to another rewarding year

Dividend and transfer to reserves

Ordinary dividends of £165,600 were declared and paid during the year (2006 £181,000). The profit for the year of £345,887 has been transferred to reserves (2006 £395,995)

Directors and directors' interests

The directors who held office during the year were as follows

CJ Snowdon - Chairman
RJK Beaumont
RS King
M Knight
AB Moss

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. The interests of CJ Snowdon and RJK Beaumont in the shares of the ultimate holding company are disclosed in the accounts of that company

The other directors who held office at the end of the financial year had the following interests in the ordinary shares of the ultimate holding company, as recorded in the register of directors' share and debenture interests

	Beneficial interest in shares	Conditional rights to shares	Performance related share options	SAYE Scheme share options
RS King				
At start and end of year	816	270	-	2,242
Exercised in year	270	(270)	-	-
Sold in year	(111)	-	-	-
At end of year	975	-	-	2,242

Med-Lab Limited

Directors' report *(continued)*

	Beneficial interest in shares	Conditional rights to shares	Performance related share options	SAYE Scheme share options
M Knight				
At start of year	770	-	26,152	2,524
Granted in year	-	-	5,993	-
Lapsed in year	-	-	(12,064)	-
Sold in year	(770)	-	-	-
At end of year	-	-	20,081	2,524
AB Moss				
At start of year	18,200	15,435	102,388	2,524
Granted in year	-	18,518	-	-
Exercised in year	37,356	(3,488)	(33,868)	-
Lapsed in year	-	-	(26,215)	-
Sold in year	(29,551)	-	-	-
Acquired in year	2,368	-	-	-
At end of year	28,373	30,465	42,305	2,524

Payment policy

It is the company's normal procedure to agree terms of transactions, including payment patterns, with suppliers in advance and to adhere to those terms when making payment. At 31 March 2007, the company had 27 days purchases outstanding in creditors (2006 12 days)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

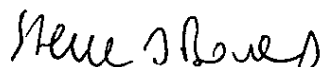
Med-Lab Limited

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution to re-appoint KPMG Audit Plc as auditors is to be proposed at the forthcoming Annual General Meeting

By order of the board



SJ Bowers
Secretary

Concorde House
24 Warwick New Road
Leamington Spa
Warwickshire
CV32 5JG

5 June 2007

Med-Lab Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Med-Lab Limited

We have audited the financial statements of Med-Lab Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared under 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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of Med-Lab Limited (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

5 June 2007

Med-Lab Limited

Profit and loss account for the year to 31 March 2007

	<i>Note</i>	2007 £	2006 £
Turnover	2	2,513,050	2,595,101
Cost of sales		(1,313,123)	(1,332,379)
		<hr/>	<hr/>
Gross profit		1,199,927	1,262,722
Administrative expenses		(705,385)	(696,701)
		<hr/>	<hr/>
Operating profit		494,542	566,021
Interest receivable	4	-	12
		<hr/>	<hr/>
Profit on ordinary activities before tax	3	494,542	566,033
Tax on profit on ordinary activities	7	(148,655)	(170,038)
		<hr/>	<hr/>
Profit for the financial year		<u>345,887</u>	<u>395,995</u>

The results shown in the profit and loss account derive wholly from continuing operations

Other than the profit for the year, the company had no recognised gains or losses in either the current or preceding year

Med-Lab Limited

Balance sheet at 31 March 2007

	<i>Note</i>	2007	2006
		£	£
Fixed assets			
Tangible assets	9	168,387	147,785
Investments	10	1,421,606	1,421,606
		<u>1,589,993</u>	<u>1,569,391</u>
Current assets			
Stocks	11	114,847	147,155
Debtors	12	368,776	360,672
Cash at bank and in hand		304,014	132,938
		<u>787,637</u>	<u>640,765</u>
Creditors falling due within one year	13	(239,208)	(256,279)
Net current assets		<u>548,429</u>	<u>384,486</u>
Total assets less current liabilities		<u>2,138,442</u>	<u>1,953,877</u>
Provisions for liabilities and charges	14	(8,724)	(4,466)
Net assets		<u><u>2,129,698</u></u>	<u><u>1,949,411</u></u>
Capital and reserves			
Called up share capital	15	5,250	5,250
Profit and loss account	16	2,124,448	1,944,161
Equity shareholders' funds	17	<u><u>2,129,698</u></u>	<u><u>1,949,411</u></u>

These financial statements were approved by the board of directors on 5 June 2007 and were signed on its behalf by



CJ Snowdon
Director

Med-Lab Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. As permitted under s228 of the Companies Act 1985 the company has not prepared group accounts. Accordingly, these accounts present information for the company only.

In accordance with FRS1, a cash flow statement has not been prepared on the grounds that the company is a wholly owned subsidiary of a company which presents a consolidated cash flow statement in its accounts. As the company is a wholly owned subsidiary of Umeco plc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Investments

Investments are included at cost less any amounts provided against their carrying value for impairment.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Long leasehold property	-	50 years
Plant and machinery	-	10 years
Office furniture and equipment	-	4 years
Motor vehicles	-	3 to 4 years

Lease and hire purchase agreements

Where the company enters into a lease or hire purchase agreement which entails taking substantially all the risks and rewards of ownership of an asset, the asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over the shorter of its estimated useful life and the lease term. Future instalments under such agreements, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments. All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

Med-Lab Limited

Notes (continued)

Pension costs

Pension costs are recognised in the financial statements in accordance with the requirement of FRS17. The company operates a defined contribution scheme and participates in the Umeco plc Pension and Life Assurance Plan. The assets of these schemes are held separately from those of the company in independently administered funds. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

Stocks

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

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Tax

The charge for tax is based on the profit for the year and takes into account tax deferred because of timing differences between the treatment of certain items for tax and accounting purposes except as otherwise required by FRS19. Liabilities are calculated on a nondiscounted full provision basis. Assets are recognised on the same basis, but only to the extent that it is probable they will be recovered.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

2 Analysis of turnover by geographical market

	2007 £	2006 £
United Kingdom	541,896	509,393
Europe	1,136,562	1,116,618
Middle East	153,381	153,648
Rest of the world	681,211	815,442
	<u>2,513,050</u>	<u>2,595,101</u>

Med-Lab Limited

Notes (continued)

3 Profit on ordinary activities before tax

	2007 £	2006 £
<i>Profit on ordinary activities before tax is stated after charging /(crediting)</i>		
Depreciation of tangible fixed assets		
- assets owned	33,769	33,978
Auditors' remuneration		
- Fees payable to the company's auditors for the audit of the annual accounts	9,996	9,996
Rentals payable under operating leases on land and buildings	4,250	4,250
Gain on fixed asset disposal	(10,404)	-
Loss/(gain) on foreign exchange translation	13,563	(3,544)
	<u> </u>	<u> </u>

4 Interest receivable

	2007 £	2006 £
Interest receivable on bank balances	-	12
	<u> </u>	<u> </u>

5 Remuneration of directors

	2007 £	2006 £
Salary, bonus and benefits in kind	125,395	132,760
	<u> </u>	<u> </u>

The company made contributions to defined contribution pension schemes on behalf of the directors totalling £9,220 (2006 £6,923). Retirement benefits accrued to two (2006 two) of the directors under defined contribution pension schemes. During both the year, options were exercised by directors as set out in the directors' report. In the preceding year, no director exercised options over shares in the ultimate parent undertaking, Umeco plc.

6 Staff costs

The average number of persons (including directors) employed during the year was

	2007 Number of employees	2006 Number of employees
Administration and distribution	20	20
	<u> </u>	<u> </u>

Med-Lab Limited

Notes (continued)

6 Staff costs (continued)

The aggregate payroll costs of these persons were

	2007 £	2006 £
Wages and salaries	415,583	421,803
Social security costs	39,242	36,996
Other pension costs	30,396	25,583
	<u>485,221</u>	<u>484,382</u>

7 Tax on profit on ordinary activities

	2007 £	2006 £
Current tax		
- current year UK tax charge at 30% (2006 30%)	144,188	173,345
- prior years	209	4,620
	<u>144,397</u>	<u>177,965</u>
Deferred tax		
- current year	4,467	(3,306)
- prior years	(209)	(4,621)
	<u>148,655</u>	<u>170,038</u>

The current tax charge for the year is below (2006 above) the standard rate of UK corporation tax. The reasons for this are as follows

	2007 £	2006 £
Profit on ordinary activities before tax	<u>494,542</u>	<u>566,033</u>
Profit on ordinary activities before tax multiplied by the standard rate of UK corporation tax	148,363	169,810
Effects of		
- expenses not deductible for tax purposes	293	229
- writing down allowances in excess of depreciation	(2,088)	3,306
- adjustment in respect of prior years	(2,171)	4,620
	<u>144,397</u>	<u>177,965</u>

Med-Lab Limited

Notes (continued)

8 Dividends

	2007 £	2006 £
Equity dividends paid	165,600	181,000

9 Tangible fixed assets

	Long leasehold land & buildings £	Plant & equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At start of year	183,606	247,600	58,676	489,882
Additions	-	7,896	47,471	55,367
Disposals	-	-	(38,856)	(38,856)
At end of year	183,606	255,496	67,291	506,393
<i>Depreciation</i>				
At start of year	71,962	224,265	45,870	342,097
Charge for the year	4,356	11,069	18,344	33,769
Disposals	-	-	(37,860)	(37,860)
At end of year	76,318	235,334	26,354	338,006
<i>Net book value</i>				
At end of year	107,288	20,162	40,937	168,387
At start of year	111,644	23,335	12,806	147,785

10 Fixed asset investments

	Investment in subsidiaries £	Loans £	Total £
Cost at start and end of year	105	1,421,501	1,421,606

The investment in subsidiaries of £105 at the start and end of the year comprises the whole of the issued ordinary capital of Med-Lab (O M) Limited, a dormant company registered in England and Wales

Med-Lab Limited

Notes (continued)

11 Stocks

	2007 £	2006 £
Finished goods	114,847	147,155

12 Debtors

	2007 £	2006 £
<i>Amounts falling due within one year</i>		
Trade debtors	356,710	347,610
Amounts owed by other Group companies	175	2,400
Other debtors	11,891	10,662
	368,776	360,672

13 Creditors falling due within one year

	2007 £	2006 £
Trade creditors	96,697	44,573
Amounts owed to parent undertaking	11,043	-
Amounts owed to ultimate holding undertaking	5,317	11,355
Amounts owed to other Group companies	2,254	12,825
Other creditors including tax and social security	86,839	111,530
Accruals and deferred income	37,058	75,996
	239,208	256,279

Other creditors including tax and social security comprise

	2007 £	2006 £
Corporation tax payable	73,629	99,363
Other taxes and social security	13,210	12,167
	86,839	111,530

Med-Lab Limited

Notes (continued)

14 Provisions for liabilities and charges

Deferred tax

	2007 £	2006 £
Opening balance	4,466	12,392
Profit and loss account charge/(credit)	4,258	(7,926)
Closing balance	<u>8,724</u>	<u>4,466</u>

The closing balance is analysed as follows

	2007 £	2006 £
Capital allowances in excess of depreciation	16,163	14,076
Other timing differences	(7,439)	(9,610)
	<u>8,724</u>	<u>4,466</u>

The liabilities are based upon a rate of 30% (2006 30%)

15 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<i>Allotted, called up and fully paid</i>		
5,250 ordinary shares of £1 each	<u>5,250</u>	<u>5,250</u>

16 Profit and loss account

	2007 £
Balance brought forward	1,944,161
Profit for the year	345,887
Dividends paid	(165,600)
Balance carried forward	<u>2,124,448</u>

Med-Lab Limited

Notes (continued)

17 Movements in shareholders' funds

	2007 £	2006 £
Profit for the year	345,887	395,995
Dividends paid	(165,600)	(181,000)
Opening shareholders' funds	1,949,411	1,734,416
	<hr/>	<hr/>
Closing shareholders' funds	2,129,698	1,949,411
	<hr/>	<hr/>

18 Contingent liabilities

A contingent liability for bank guarantees given in the normal course of business at 31 March 2007 amounted to £58,184,722 (2006 £35,374,438). The company had contingent liabilities in respect of bonds given by its bankers amounting to £60,000 (2006 £60,000).

19 Commitments

Annual commitments under non-cancellable operating leases

	2007 £	2006 £
Leases on land and buildings expiring after 5 years	4,250	4,250
	<hr/>	<hr/>

20 Pensions

The company operates a defined contribution pension scheme, and participates in the Umeco plc Pension and Life Assurance Plan. The pension cost charge for the year represents contributions payable by the company to the schemes and amounted to £30,396 (2006 £25,583). There were no outstanding contributions to the fund at 31 March 2007 (2006 £nil).

21 Ultimate holding company

The company's ultimate holding company is Umeco plc, which is incorporated in Great Britain and registered in England and Wales.

The results of the company for the year are included in the consolidated accounts of Umeco plc which are available to the public and may be obtained from Umeco plc, Concorde House, 24 Warwick New Road, Leamington Spa, Warwickshire, CV32 5JG.

Med-Lab Limited

Notes *(continued)*

22 **Post balance sheet events**

It has been announced that the corporation tax rate applicable to the company is expected to change from 30% to 28% from 1 April 2008. The deferred tax asset has been calculated at 30% in accordance with FRS19. Any timing differences which reverse before 1 April 2008 will be charged at 30%, any timing differences which exist at 1 April 2008 will reverse at 28% and, because of the uncertainty of when the deferred tax asset will reverse it is not possible to calculate the full financial impact of this change.