

SEAL Analytical Limited

FINANCIAL STATEMENTS

for the year ended

30 June 2007

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COMPANIES HOUSE

Company Registration No 4008521

SEAL Analytical Limited

DIRECTORS AND OFFICERS

DIRECTORS

J E Brathwaite
T R Brittain
K Tozzi
S Smith
P T J Fry

SECRETARY

P T J Fry

COMPANY NUMBER

4008521 (England and Wales)

REGISTERED OFFICE

67 Victoria Road
Burgess Hill
West Sussex
RH15 9TR

AUDITORS

Baker Tilly UK Audit LLP
12 Gleneagles Court
Brighton Road
Crawley
West Sussex
RH10 6AD

SEAL Analytical Limited and subsidiary companies

DIRECTORS' REPORT

The directors present their report and financial statements of SEAL Analytical Limited and its subsidiary companies for the year ended 30 June 2007

PRINCIPAL ACTIVITIES

The principal activity of the group during the year was that of the production and sale and servicing of water analysers

DIRECTORS

The following directors have held office throughout the year to 30 June 2007

J E Brathwaite
T R Brittain
K Tozzi
S Smith

P T J Fry was appointed a director of the company on 23 March 2007

M A Rowland resigned as a director of the company on 24 March 2007 and P M Maguire resigned as a director of the company on 19 December 2006

AUDITORS

Baker Tilly UK Audit LLP has indicated its willingness to continue in office

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

This report has been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small companies

By order of the board



T R Brittain
Director

13 June 2008

SEAL Analytical Limited and subsidiary companies

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c 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 requirements of 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEAL ANALYTICAL LIMITED

We have audited the financial statements on pages 4 to 19

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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and the company's affairs at 30 June 2007 and of the loss of the group for the year then ended and 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.



BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
12 Gleneagles Court
Brighton Road
Crawley, West Sussex, RH10 6AD

16 June 2008

SEAL Analytical Limited and subsidiary companies
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2007

	Notes	2007 £	2006 £
TURNOVER	1	5,031,423	2,923,983
Cost of sales		(2,369,672)	(1,715,713)
Gross profit		2,661,751	1,208,270
Selling and distribution costs		(554,451)	(200,088)
Administration expenses		(2,389,100)	(1,024,283)
Other operating income		1,402	2,408
OPERATING LOSS	2	(280,398)	(13,693)
Interest payable	3	(38,471)	(98,732)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(318,869)	(112,425)
Taxation	5	173,026	97,253
GROUP LOSS FOR THE YEAR	16	(145,843)	(15,172)

The operating loss for the year arises from the company's continuing operations

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 June 2007


	2007 £	2006 £
Loss for the financial year	(145,843)	(15,172)
Currency translation differences on foreign currency net investments	78,307	25,319
Total recognised gains and losses relating to the year	(67,536)	10,147

SEAL Analytical Limited and subsidiary companies
GROUP BALANCE SHEET
30 June 2007

	<i>Notes</i>	2007 £	2006 £
FIXED ASSETS			
Tangible assets	8	92,374	67,126
Goodwill	9	1,186,837	-
		<u>1,279,211</u>	<u>67,126</u>
CURRENT ASSETS			
Stocks		812,268	202,787
Debtors	11	1,613,028	544,165
Cash at bank and in hand		232,612	41,369
		<u>2,657,908</u>	<u>788,321</u>
CREDITORS Amounts falling due within one year	12	(2,986,897)	(1,368,428)
		<u>(328,989)</u>	<u>(580,107)</u>
NET CURRENT ASSETS / (LIABILITIES)			
		<u>950,222</u>	<u>(512,981)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>950,222</u>	<u>(512,981)</u>
CREDITORS Amounts falling due after more than one year	13	2,025,491	545,052
CAPITAL AND RESERVES			
Called up share capital	14	197,490	196,199
Share premium account	15	234,912	206,203
Profit and loss account	16	(1,507,671)	(1,460,435)
SHAREHOLDERS' FUNDS	17	<u>(1,075,269)</u>	<u>(1,058,033)</u>
		<u>950,222</u>	<u>(512,981)</u>

These financial statements have been prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small companies. In addition the financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The financial statements on pages 4 to 19 were approved by the board of directors and authorised for issue on 13 June 2008 and are signed on its behalf by


T R Brittain Director

SEAL Analytical Limited

BALANCE SHEET

30 June 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	8	33,361	26,169
Investments	10	17,697	667
		<u>51,058</u>	<u>26,836</u>
CURRENT ASSETS			
Stocks		194,380	114,250
Debtors	11	234,352	263,449
Debtors falling due after more than one year	11	2,971,369	968,244
Cash at bank and in hand		51,743	21,214
		<u>3,451,844</u>	<u>1,367,157</u>
CREDITORS Amounts falling due within one year	12	(1,800,328)	(1,057,196)
		<u>1,651,516</u>	<u>309,961</u>
NET CURRENT ASSETS			
		<u>1,702,574</u>	<u>336,797</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,702,574</u>	<u>336,797</u>
CREDITORS Amounts falling due after more than one year	13	2,024,334	540,663
CAPITAL AND RESERVES			
Called up share capital	14	197,490	196,199
Share premium account	15	234,912	206,203
Profit and loss account	16	(754,162)	(606,268)
SHAREHOLDERS' FUNDS	17	(321,760)	(203,866)
		<u>1,702,574</u>	<u>336,797</u>

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T R Brittain

Director

SEAL Analytical Limited and subsidiary companies

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable accounting standards and the historical cost accounting rules

The group and the company have taken advantage from the exemption for small entities included in FRS 1 from publishing a cash flow statement

No separate profit and loss account is presented for the company, as provided by section 230 of the Companies Act 1985. The loss on ordinary activities after taxation for SEAL Analytical Limited was £168,194 for the year ended 30 June 2007 (2006 loss - £94,685)

GOING CONCERN

The financial statements have been prepared on the going concern basis because the group has operated at a profit in the period to 31 March 2008 and on the assumption that the group will continue to operate profitably for the foreseeable future as indicated in the forecasts for the period to 30 June 2009. The group's bankers have continued to support its activities with the issue of a continuing facilities letter subject to the requirement that the bank's covenants are complied with.

BASIS OF CONSOLIDATION

The group accounts consolidate the financial statements of the company and its subsidiary undertaking. 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 date on which control passes.

OVERSEAS SUBSIDIARY COMPANIES

The profits of the overseas subsidiary companies are translated at average rates of exchange and the group's net investments at closing rates of exchange. Differences arising on translation are added to or deducted from reserves.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows -

Leasehold improvements	25% straight line
Plant and machinery	25 - 33% straight line

GOODWILL

Goodwill arising on acquisitions is capitalised and amortised on a straight-line basis over the period which the Directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets, with a maximum period of 15 years. The Directors take into account the nature, age and stability of the industry in which the business operates.

INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

STOCK

Stock is valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

SEAL Analytical Limited and subsidiary companies

ACCOUNTING POLICIES

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lesser. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

PENSIONS CONTRIBUTIONS

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

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the accounting 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.

RESEARCH AND DEVELOPMENT EXPENDITURE

All research and other development costs are written off as incurred.

TURNOVER

Turnover represents the amounts receivable, net of Value Added Tax, for goods sold and services provided to customers.

SEAL Analytical Limited and subsidiary companies
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

1	TURNOVER		
		2007 %	2006 %
	Percentage of group turnover relating to non-UK markets	82	61
2	OPERATING LOSS	2007 £	2006 £
	Operating loss is stated after charging/(crediting)		
	Depreciation of tangible assets		
	Charge for the year		
	owned assets	64,340	19,232
	leased assets	6,424	1,899
	Goodwill amortisation	48,022	-
	Operating lease rentals		
	Plant and machinery	72,130	58,818
	Land and buildings	164,135	58,641
	Auditor's remuneration		
	Parent and consolidated accounts	15,000	14,750
	Subsidiaries accounts	23,191	9,027
	(Profit)/loss on sale of fixed assets	3,141	9,324
	Loss on foreign exchange transactions	120,850	64,177
3	INTEREST PAYABLE	2007 £	2006 £
	Bank interest	75,362	21,176
	Factoring interest	15,144	28,442
	Hire purchase interest	1,404	656
	Other loan interest	43,535	8,990
	Other interest payable	7,500	7,468
	Redeemable preference shares - 8% dividend	(104,474)	32,000
		38,471	98,732

Dividends for redeemable preference shares were accrued at 8p per share per annum from 1 July 2003 to 30 June 2006. These dividends, which totalled £91,800 at 30 June 2006, were irrevocably and unconditionally waived by the shareholders in an agreement dated 24 November 2006, together with interest accrued thereon amounting to £12,674.

SEAL Analytical Limited and subsidiary companies
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

4	DIRECTORS' REMUNERATION			2007 £	2006 £
	Amounts paid to directors			200,953	163,546
				<u> </u>	<u> </u>
5	TAXATION	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Domestic current year tax credit				
	U K corporation tax	37,044	17,065	37,044	17,065
	Adjustment for prior years	-	-	-	-
	Current tax credit	<u>37,044</u>	<u>17,065</u>	<u>37,044</u>	<u>17,065</u>
	Deferred tax				
	Deferred tax credit current year	135,982	80,188	34,978	4,025
		<u>173,026</u>	<u>97,253</u>	<u>72,022</u>	<u>21,090</u>
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Factors affecting the tax charge for the year				
	Loss on ordinary activities before taxation	318,869	112,425	240,216	115,775
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax for small companies of 30% (2006 19%)	95,661	21,361	72,065	21,997
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Effects of				
	Non deductible expenses	(5,452)	(16,266)	(5,452)	(16,266)
	Depreciation (in excess of)\less than capital allowances	(700)	284	(700)	284
	Additional deduction for R & D expenditure	23,153	14,250	23,153	14,250
	Other timing adjustments	38,692	-	38,692	-
	Losses relieved\unrelieved) in year	(81,897)	636	(58,301)	-
	Surrender of tax losses for R & D tax credit refund	(32,413)	(3,200)	(32,413)	(3,200)
		<u>(58,617)</u>	<u>(4,296)</u>	<u>(35,021)</u>	<u>(4,932)</u>
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Current tax charge	37,044	17,065	37,044	17,065
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

The company has estimated losses of £281,605 at 30 June 2007 (2006 £87,269) available for carry forward against future trading profits. The subsidiary companies have estimated losses of £687,472 at 30 June 2007 available for carry forward against future trading profits in periods up to 30 June 2027.

SEAL Analytical Limited and subsidiary companies
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

6	DEFERRED TAX	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Deferred tax				
	Balance at 1 July	96,920	16,732	20,757	16,732
	Profit and loss account	123,508	80,188	34,978	4,025
	Balance at 30 June	<u>220,428</u>	<u>96,920</u>	<u>55,735</u>	<u>20,757</u>
		2007 £	2006 £	2007 £	2006 £
	Accelerated capital allowances	(586)	(1,311)	(586)	(1,311)
	Other timing differences	-	4,655	-	4,655
	Tax losses available	221,014	93,576	56,321	17,413
		<u>220,428</u>	<u>96,920</u>	<u>55,735</u>	<u>20,757</u>

The deferred tax asset has been provided for as the directors are confident that the company will be profitable in future years

7	DIVIDENDS	2007 £	2006 £
	Dividends on equity shares		
	“A” Ordinary shares		
	Final proposed - £0 07 (2005 - £0 07)	-	7,000

Dividends for “A” ordinary shares were accrued at 7p per share per annum from 1 July 2003 to 30 June 2006. These dividends, which totalled £20,300 at 30 June 2006, were irrevocably and unconditionally waived by the shareholders in an agreement dated 24 November 2006.

SEAL Analytical Limited and subsidiary companies
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

8 TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Plant and Machinery £	Total £
GROUP			
Cost			
1 July 2006	11,975	92,791	104,766
Additions	1,245	100,919	102,164
Disposals	-	(11,785)	(11,785)
Exchange difference	(794)	(4,058)	(4,852)
30 June 2007	12,426	177,867	190,293
Depreciation			
1 July 2006	4,403	33,237	37,640
Charge in the year	3,917	66,847	70,764
On disposals	-	(8,644)	(8,644)
Exchange difference	(265)	(1,576)	(1,841)
30 June 2007	8,055	89,864	97,919
Net book value			
30 June 2007	4,371	88,003	92,374
30 June 2006	7,572	59,554	67,126

The net book value of plant and machinery includes £21,905 (2006 - £18,154) in respect of assets held under finance leases

	Leasehold Improvements £	Plant and Machinery £	Total £
COMPANY			
Cost			
1 July 2006	1,646	38,681	40,327
Additions	1,245	18,262	19,507
Disposals	-	(3,019)	(3,019)
30 June 2007	2,891	53,924	56,815
Depreciation			
1 July 2006	960	13,198	14,158
Charge in the year	619	11,696	12,315
On disposals	-	(3,019)	(3,019)
30 June 2007	1,579	21,875	23,454
Net book value			
30 June 2007	1,312	32,049	33,361
30 June 2006	686	25,483	26,169

The net book value of plant and machinery includes £15,932 (2006 - £8,090) in respect of assets held under finance leases

SEAL Analytical Limited and subsidiary companies
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

9 INTANGIBLE FIXED ASSETS

GOODWILL	Group £
Cost	
1 July 2006	-
Addition	1,234,859
30 June 2007	<u>1,234,859</u>
Amortisation	
1 July 2006	-
Charge for the year	48,022
30 June 2007	<u>48,022</u>
Net book value	
30 June 2007	<u>1,186,837</u>
1 July 2006	<u>-</u>

10 FIXED ASSET INVESTMENTS

Shares in group
undertakings
£

Cost	
1 July 2006	667
Additions	17,030
30 June 2007	<u>17,697</u>

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

The company holds more than 20% of the share capital of the following subsidiary companies

<i>Company</i>	<i>Country of registration or Incorporation</i>	<i>Shares held Class</i>	<i>%</i>
Seal Analytical Inc	USA	Ordinary	100
Seal Analytical GmbH	Germany	Ordinary	100
Seal Analytical International Ltd	UK	Ordinary	100

SEAL Analytical Limited and subsidiary companies
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

10 FIXED ASSET INVESTMENTS (continued)

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Capital and reserves £	Profit/(loss) for the year £
Seal Analytical Inc	571,167	224,968
Seal Analytical GmbH	(215,597)	(233,097)
Seal Analytical International Ltd	(45,246)	-

11	DEBTORS	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Trade debtors	1,187,351	417,232	171,443	244,084
	Other debtors	205,249	33,187	62,909	19,365
		<u>1,392,600</u>	<u>450,419</u>	<u>234,352</u>	<u>263,449</u>
	Amounts falling due after more than one year				
	Amounts owed by group undertakings	-	-	2,915,634	947,487
	Deferred tax asset	220,428	93,746	55,735	20,757
		<u>1,613,028</u>	<u>544,165</u>	<u>3,205,721</u>	<u>1,231,693</u>

12	CREDITORS	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Amounts falling due within one year				
	Bank overdraft	131,858	43,856	131,858	43,856
	Bank loans	997,844	291,384	997,844	206,786
	Obligations under finance lease and hire purchase contracts	9,686	8,407	6,181	3,480
	Trade creditors	1,105,051	414,449	312,746	291,131
	Taxes and social security costs	26,795	99,985	39,500	63,783
	Other creditors	715,663	510,347	312,199	448,160
		<u>2,986,897</u>	<u>1,368,428</u>	<u>1,800,328</u>	<u>1,057,196</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company, together with personal guarantees given to the bank by the directors of the company totalling £180,000

SEAL Analytical Limited and subsidiary companies
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2007

13	CREDITORS Amounts falling due in more than one year	Group		Company	
		2007 £	2006 £	2007 £	2006 £
	Bank loans	1,615,906	113,750	1,615,906	113,750
	Other loans	-	23,000	-	23,000
	Obligations under finance leases and hire purchase agreements	9,585	8,302	8,428	3,913
	Liability arising on redeemable preference shares	400,000	400,000	400,000	400,000
		<u>2,025,491</u>	<u>545,052</u>	<u>2,024,334</u>	<u>540,663</u>
	Bank and other loans				
	Wholly repayable within five years	2,613,750	456,134	2,613,750	371,536
	Included in current liabilities	(997,844)	(319,384)	(997,844)	(234,786)
		<u>1,615,906</u>	<u>136,750</u>	<u>1,615,906</u>	<u>136,750</u>
	Loan maturity analysis				
	In more than one year but not more than two years	497,844	76,400	497,844	76,400
	In more than two years but not more than five years	1,118,062	60,350	1,118,062	60,350
		<u>1,615,906</u>	<u>136,750</u>	<u>1,615,906</u>	<u>136,750</u>

The company has a loan £113,750 (2006 - £167,150) that was received under the Small Firms Loan Guarantee Scheme whereby the DTI guarantees 75% of the loan. The balance is secured by a fixed and floating charge over the assets of the company. The loan is repayable by monthly instalments of £4,450 together with interest at base rate plus 3% ending in August 2009.

The £2,000,000 (2006 - £ nil) loan and £500,000 revolving credit facility from KBC Bank NV is secured by a fixed and floating charge over the assets of the company and by a share pledge agreement covering the issued share capital of SEAL Analytical GmbH. The loan is repayable by quarterly instalments of £111,111 together with interest at base rate plus 2.5% ending in December 2011.

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Obligations under finance leases and hire purchase contracts				
Repayable within one year	9,686	8,407	6,181	3,480
Repayable between two and five years	9,585	8,302	8,428	3,913
	<u>19,271</u>	<u>16,709</u>	<u>14,609</u>	<u>7,393</u>

SEAL Analytical Limited and subsidiary companies

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

14 SHARE CAPITAL (continued)

On liquidation, the assets remaining after payment of the Company's liabilities will be applied as follows Firstly in payment of all dividends accrued to preference shareholders and the nominal value of those shares Secondly any dividends and interest thereon accrued to ordinary A shareholders and the nominal value of those shares will be paid Finally the nominal value of the ordinary shares will be paid

During the year, the company allotted 1,291 ordinary shares of £1 each The shares were issued for a consideration of £30,000 The premium on the issue of shares has been credited to the share premium account

15 SHARE PREMIUM ACCOUNT	Group £	Company £
1 July 2006	206,203	206,203
Premium on shares issued in the year	28,709	28,709
30 June 2007	<u>234,912</u>	<u>234,912</u>

16 PROFIT AND LOSS ACCOUNT	Group £	Company £
1 July 2006	(1,460,435)	(606,268)
Retained loss for the year	(145,843)	(168,194)
Exchange adjustments on translation of opening balances of overseas subsidiary	78,307	-
Dividends waived (note 7)	20,300	20,300
30 June 2007	<u>(1,507,671)</u>	<u>(754,162)</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Loss for the financial year	(145,843)	(15,172)	(168,194)	(94,685)
Dividends waived\payable)	20,300	(7,000)	20,300	(7,000)
	<u>(125,543)</u>	<u>(22,172)</u>	<u>(147,894)</u>	<u>(101,685)</u>
Proceeds from issue of shares	30,000	-	30,000	-
Other recognised gains and losses relating to the year	78,307	25,319	-	-
	<u>(17,236)</u>	<u>3,147</u>	<u>(117,894)</u>	<u>(101,685)</u>
Opening shareholders' funds	(1,058,033)	(1,061,180)	(203,866)	(102,181)
Closing shareholders' funds	<u>(1,075,269)</u>	<u>(1,058,033)</u>	<u>(321,760)</u>	<u>(203,866)</u>

SEAL Analytical Limited and subsidiary companies

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

18 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2007 the group had annual commitments under non-cancellable operating leases as follows

	2007		2006	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Expiring				
Within one year	66,120	16,201	-	8,337
Within one to five years	26,552	23,020	45,033	33,353
	<u>92,672</u>	<u>39,221</u>	<u>45,033</u>	<u>41,690</u>

19 PENSION SCHEME

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 payable by the company to the scheme amounted to £21,313 (2006 - £22,325). One director qualified for benefits.

20 RELATED PARTY TRANSACTIONS

During the year the Company traded with Synermed Europe Limited which owns 17% (2006 - 18%) of the company's Ordinary issued share capital. All transactions were made at arms length during the year under review. Purchases from Synermed Europe Limited amounted to £58,658 (2006 £49,158) and sales amounted to £14,569 (2006 £6,720). At 30 June 2007 £5,592 (2006 £2,598) was owed by the company to Synermed Europe Limited and £1,059 (2006 £1,554) was due to the company by Synermed Europe Limited.

Mr J Brathwaite, a director of the company, provided consultancy services to the company during the year ended 30 June 2007 to the value of £22,600 (2006 £15,000) of which £1,900 (2006 £8,750) was outstanding at 30 June 2007.

Mr M Rowland, a director of the company, provided consultancy services to the company during the year ended 30 June 2007 to the value of £34,184 (2006 £44,493) of which £2,938 (2006 £35,400) was outstanding at 30 June 2007. Included in other long term loans due by the company is £ nil (2006 £20,000) due to M Rowland.

The company has taken advantage of the exemption from reporting transactions with other group companies confirmed by Financial Reporting Statement No. 8 on the grounds that all members of the group are wholly-owned subsidiaries of the parent undertaking which publishes consolidated accounts.

SEAL Analytical Limited and subsidiary companies

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

21 ACQUISITION

On 27th November 2006 the group completed the acquisition of the Bran and Luebbe ("B+L") Continuous Flow Analyzer (CFA) and Near-infrared Analyser (NIR) businesses from SPX Corporation. Since 2004 SEAL Analytical Ltd had been exclusive distributor of CFA and NIR products in the UK and Eire, and Seal Analytical Inc had been exclusive distributor for CFA in the USA.

The German held assets & liabilities plus local staff were transferred to a newly formed company, SEAL Analytical GmbH. In addition B+L analyser operations in Japan, Korea, China and Singapore were transferred to the newly formed SEAL Analytical International Ltd.

	Book Value £	Provisional Fair Value £
Acquired assets & liabilities		
Tangible Fixed Assets	19,152	19,152
Stock	723,297	723,297
Debtors	489,672	489,672
Creditors	(469,350)	(469,350)
	<u>762,771</u>	<u>762,771</u>
Consideration		
Cash		1,513,238
Acquisition expenses		484,392
Cost of acquisition		<u>1,997,630</u>
Goodwill		<u>1,234,859</u>

All net assets and liabilities acquired from the Japan, Korea, China & Singapore operations were regarded as being costs associated with the acquisition of the business in Germany.