

Registrar

SEALTEC SE PLC
DIRECTORS' REPORT AND ACCOUNTS
FOR THE NINE MONTHS ENDED 31 DECEMBER 1997
COMPANY NUMBER 2101607



SEALTEC SE PLC

DIRECTORS

C J Rea - Chairman

M O Williams

R Smith

SECRETARY

L A Williams

REGISTERED OFFICE

11 Saxon House, Upminster Trading Park, Warley Street, Upminster, Essex RM14 3PJ

AUDITORS

Roddis Taylor Robinson, Chartered Accountants, 275 Glossop Road, Sheffield S10 2HB

BANKERS

Barclays Bank plc., 9 High Street, Grays, Essex RM17 6NL

SEALTEC SE PLC

REPORT OF THE DIRECTORS

FOR THE PERIOD ENDED 31 DECEMBER 1997

STATEMENT OF 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ACCOUNTS

The Directors present their report and accounts for the nine months ended 31 December 1997.

The comparatives are for the year ended 31 March 1997. The Company's accounting reference date has been changed to be co-terminus with that of its Parent Company AES Engineering Limited.

ACTIVITIES

The principal activity of the Company is the distribution of mechanical packings and seals.

RESULTS FOR THE YEAR

The results for the year are set out in the profit and loss account on page 5.

REVIEW OF THE YEAR AND THE COMPANY'S POSITION AT 31 DECEMBER 1997

The Directors consider the results for the year to be satisfactory and look forward to the future with confidence.

DIVIDENDS

The Directors do not recommend payment of a final dividend for the period ended 31 December 1997. An interim dividend of £12.00 per share was paid on 15 October 1997.

SEALTEC SE PLC

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 1997

FREEHOLD LAND & BUILDINGS

In the opinion of the Directors the freehold land and buildings are worth at least the amount stated in the balance sheet.

POLICY ON PAYMENT OF CREDITORS

It is Company policy to follow a standard payment practice. The terms of the payment practice can be obtained from the Company's registered address which is 11 Saxon House, Upminster Trading Park, Warley Street, Upminster, Essex RM14 3PJ.

Terms of payment are agreed with suppliers and abided by and are generally in line with the standard payment practice.

The number of creditor days at the year end was 24 days.

TAX STATUS

The Company is a close Company within the meaning of Section 414 Income and Corporation Taxes Act 1988.

DIRECTORS

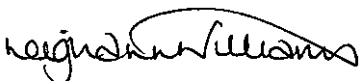
The members of the Board during the year were:

C J Rea
M O Williams

AUDITORS

Roddis Taylor Robinson, Chartered Accountants, offer themselves for re-appointment in accordance with Section 385 Companies Act 1985.

On behalf of the Board



L A Williams
Secretary

5 May 1998

AUDITORS' REPORT TO THE SHAREHOLDERS OF SEALTEC SE PLC

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of Directors and auditors

As described on page 2 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

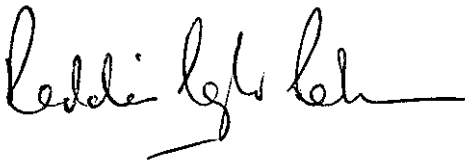
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. 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 have 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 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Roddis Taylor Robinson
Chartered Accountants
Registered Auditors

5 May 1998

SEALTEC SE PLC

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 DECEMBER 1997

<u>Notes</u>	Nine months ended <u>31.12.97</u> £	Year ended <u>31.03.97</u> £
2 TURNOVER - CONTINUING OPERATIONS	1630570	1775978
Change in stocks of finished goods	<u>18270</u>	<u>14529</u>
	1648840	1790507
Raw materials and consumables	(907917)	(1011062)
Other external charges	(13996)	(12765)
Staff costs	(309514)	(304423)
Depreciation	(30810)	(40226)
Other operating charges	<u>(116612)</u>	<u>(174724)</u>
	(1378849)	(1543200)
OPERATING PROFIT - CONTINUING OPERATIONS	269991	247307
Interest receivable and similar income	2115	3526
3 Interest payable and similar charges	<u>-</u>	<u>(3826)</u>
4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	272106	247007
5 Tax on profit on ordinary activities	<u>(79226)</u>	<u>(79813)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	192880	167194
6 Dividends	<u>(600000)</u>	<u>(60000)</u>
14 TRANSFER (FROM)/TO RESERVES	<u>(407120)</u>	<u>107194</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE PERIOD ENDED 31 DECEMBER 1997

The Company had no recognised gains or losses other than the profit for the period of £192880 (Profit for the year ended 31 March 1997 £167194).

SEALTEC SE PLC

BALANCE SHEET AT 31 DECEMBER 1997

<u>Notes</u>	<u>31.12.97</u> £	<u>31.03.97</u> £
FIXED ASSETS		
7 Tangible assets	<u>427016</u>	<u>428854</u>
CURRENT ASSETS		
8 Stocks	162082	143811
9 Debtors	550934	295449
Cash at bank and in hand	<u>73700</u>	<u>65051</u>
	786716	504311
10 CREDITORS (amounts due within one year)	<u>(1056331)</u>	<u>(370190)</u>
NET CURRENT (LIABILITIES)/ASSETS	<u>(269615)</u>	<u>134121</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		
11 PROVISIONS FOR LIABILITIES AND CHARGES	<u>(8646)</u>	<u>(7100)</u>
	<u>148755</u>	<u>555875</u>
CAPITAL AND RESERVES		
13 Called up share capital	50000	50000
14 Profit and loss account	<u>98755</u>	<u>505875</u>
15 SHAREHOLDERS' FUNDS	<u>148755</u>	<u>555875</u>

Signed on behalf of the Board


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M O Williams - Director

SEALTEC SE PLC

NOTES TO THE ACCOUNTS

FOR THE PERIOD ENDED 31 DECEMBER 1997

1. ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Company's accounts.

a) BASIS OF PREPARATION OF ACCOUNTS

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards. There were no material departures from those standards.

The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 from producing a cash flow statement as it is a wholly owned subsidiary undertaking of AES Engineering Limited.

b) TURNOVER

Turnover represents the amounts received or receivable for goods and services provided to customers during the period excluding value added tax.

c) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated at rates intended to write off the cost of fixed assets over the expected useful lives of the assets concerned. The principal annual rates are:-

Freehold building	4% straight line
Fixtures and fittings	15% reducing balance
Motor vehicles	25% straight line
Freehold land is not depreciated	

d) STOCK

Stock is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs. Provision is made for slow moving and obsolete stock.

e) DEFERRED TAX

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may crystallise.

f) PENSION COSTS

The Company operates defined contribution pension schemes.

The charge in the profit and loss account for pension costs is the amount of the Company's contributions payable to the pension schemes for the period.

SEALTEC SE PLC

NOTES TO THE ACCOUNTS

FOR THE PERIOD ENDED 31 DECEMBER 1997

1. ACCOUNTING POLICIES (CONTINUED)

g) LEASING

Assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations net of future finance charges are included in creditors.

Operating lease rentals are charged to the profit and loss account as they are incurred.

2. SEGMENT INFORMATION

The Company's turnover and profit before taxation are derived from its principal activity.

An analysis of turnover by geographic market supplied has not been disclosed because Directors consider that such disclosure would be seriously prejudicial to the interests of the Company.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>31.12.97</u>	<u>31.03.97</u>
	£	£
Bank loan and overdraft	-	3249
Finance charges - hire purchase obligations	-	577
	<u>-</u>	<u>3826</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>31.12.97</u>	<u>31.03.97</u>
	£	£
After charging:		
Directors' emoluments (see note 16)	46382	46399
Depreciation - owned assets	37352	39566
Loss on disposal of fixed assets	-	660
Auditors' remuneration including expenses - Audit	4200	4200
- Non Audit Services	2759	6740
Operating leases - plant and machinery	-	2436
	<u>-</u>	<u>-</u>
After crediting:		
Profit on disposal of fixed assets	6542	-
	<u>6542</u>	<u>-</u>

SEALTEC SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 1997

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>31.12.97</u> £	<u>31.03.97</u> £
UK Corporation tax	77680	75985
Transfer to deferred tax	1546	3828
	<u>79226</u>	<u>79813</u>

6. DIVIDENDS

	<u>31.12.97</u> £	<u>31.03.97</u> £
<u>Ordinary Shares</u>		
Paid:		
Interim paid - £12.00 per share (year ended 31 March 1997 1.20p per share)	<u>600000</u>	<u>60000</u>

7. TANGIBLE FIXED ASSETS

	<u>Freehold Land & Buildings</u> £	<u>Fixtures & Fittings</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
Cost:				
At 1 April 1997	285196	101522	161947	548665
Additions	-	7994	37555	45549
Disposals	-	-	(44360)	(44360)
At 31 December 1997	<u>285196</u>	<u>109516</u>	<u>155142</u>	<u>549854</u>
Depreciation:				
At 1 April 1997	20400	38838	60573	119811
Provision for the year	2550	7365	27437	37352
Disposals	-	-	(34325)	(34325)
At 31 December 1997	<u>22950</u>	<u>46203</u>	<u>53685</u>	<u>122838</u>
Net book value:				
At 31 December 1997	<u>262246</u>	<u>63313</u>	<u>101457</u>	<u>427016</u>
At 31 March 1997	<u>264796</u>	<u>62684</u>	<u>101374</u>	<u>428854</u>

The cost of depreciable assets included in freehold land and buildings at 31 December 1997 was £85196 (31 March 1997 £85196).

SEALTEC SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 1997

8. STOCKS

	<u>31.12.97</u>	<u>31.03.97</u>
	£	£
Finished goods and goods for resale	<u>162082</u>	<u>143811</u>

9. DEBTORS

	<u>31.12.97</u>	<u>31.03.97</u>
	£	£
Trade debtors	452281	294856
Advance corporation tax recoverable	92858	-
Prepayments and accrued income	<u>5795</u>	<u>593</u>
	<u>550934</u>	<u>295449</u>

10. CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)

	<u>31.12.97</u>	<u>31.03.97</u>
	£	£
Bank overdraft	81735	61080
Trade creditors	99633	97627
Amounts owed to Parent undertaking	600000	35999
Other creditors	5000	24001
Corporation tax payable	170536	75985
Other taxes and social security	43546	28729
Accruals and deferred income	<u>55881</u>	<u>46769</u>
	<u>1056331</u>	<u>370190</u>

The bank overdraft is secured by way of a debenture and a charge on the Company's freehold property.

11. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred Taxation</u>
	£
At 1 April 1997	7100
Transfer to profit and loss account	<u>1546</u>
At 31 December 1997	<u>8646</u>

SEALTEC SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 1997

12. DEFERRED TAXATION

The balance at 31 December 1997 is made up as follows:-

	<u>Provided and Potential</u>	
	<u>31.12.97</u>	<u>31.03.97</u>
	£	£
Timing differences:		
Accelerated capital allowances	<u>8646</u>	<u>7100</u>

13. CALLED UP SHARE CAPITAL

	<u>31.12.97</u>	<u>31.03.97</u>
	£	£
Allotted and fully paid:		
50000 ordinary shares of £1 each	<u>50000</u>	<u>50000</u>
Authorised:		
50000 ordinary shares of £1 each	<u>50000</u>	<u>50000</u>

14. RESERVES

	<u>Profit and Loss Account</u>
	£
At 1 April 1997	505875
Retained loss for the period	<u>(407120)</u>
At 31 December 1997	<u>98755</u>

SEALTEC SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 1997

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>31.12.97</u>	<u>31.03.97</u>
	£	£
Equity interests:		
Profit for the period	192880	167194
Dividends	(600000)	(60000)
Net (reduction)/increase in shareholders' funds	(407120)	107194
Opening shareholders' funds	555875	448681
Closing shareholders' funds	<u>148755</u>	<u>555875</u>

16. INFORMATION REGARDING DIRECTORS

Share interests:

The below sets out the names of the persons who were Directors of the Company at 31 December 1997 together with details of their interests in the shares of the Company at that date and corresponding details at 31 March 1997.

	31 December 1997		31 March 1997	
	<u>Non-beneficial</u>	<u>Beneficial</u>	<u>Non-beneficial</u>	<u>Beneficial</u>
C J Rea	1	-	1	-
M O Williams	-	-	-	20000
	<u>1</u>	<u>-</u>	<u>1</u>	<u>20000</u>

Directors' interests in Parent undertaking:

The interests of C J Rea and M O Williams, who are Directors of the Parent Company, in the shares of AES Engineering Limited are shown in that Company's accounts.

Remuneration:

	<u>31.12.97</u>	<u>31.03.97</u>
	£	£
Directors' emoluments amounted to:-		
Emoluments including benefits in kind	42382	42399
Money purchase pension scheme contributions	4000	4000
	<u>46382</u>	<u>46399</u>

There is one Director who is a member of a money purchase pension scheme (Year ended 31 March 1997 one).

SEALTEC SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 1997

17. PARTICULARS OF EMPLOYEES

The average number of persons employed by the Company (including Directors) during the period was:

Category:	<u>31.12.97</u>	<u>31.03.97</u>
Directors	2	2
Salesman	9	7
Administration	6	5
Stores	2	1
	<u>19</u>	<u>15</u>

Their total remuneration was:

	£	£
Wages and salaries	274518	272000
Social security costs	27914	28423
Other pension costs	7082	4000
	<u>309514</u>	<u>304423</u>

18. PENSION COSTS

The Company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds.

Contributions payable to the schemes by the Company are included in the pension cost charge in respect of the period and amounted to £7082 (31 March 1997: £4000). There were no outstanding contributions at the period end (31 March 1997: £nil).

SEALTEC SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 1997

19. RELATED PARTIES

a) Controlling Parties

The Company is under the control of AES Engineering Limited. The ultimate controlling party is considered to be Mr C J Rea, by virtue of his shareholding in that Company.

b) Related Party Transactions

Advantage has been taken of the exemption in FRS8 from disclosing transactions with AES Engineering Limited as the Company is a 100% subsidiary undertaking. The Company did not enter into any transactions with C J Rea during the year.

Transactions with fellow subsidiaries in the AES Engineering Limited group of companies are not considered to be material.

c) Related Party Balances

As at 31 December 1997 the balances outstanding with related parties were as follows:

	Owed by the Company £	Owed to the Company £
M O Williams (Director)		
Loan account	5000	-

20. PARENT UNDERTAKING AND ULTIMATE HOLDING COMPANY

AES Engineering Limited is the Company's smallest and largest Parent undertaking and ultimate Holding Company.

21. APPROVAL OF ACCOUNTS

These accounts were approved at a Directors' meeting held on 5 May 1998.