

AESSEAL SE PLC
FORMERLY SEALTEC SE PLC
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998
COMPANY NUMBER 2101607



AESSEAL SE PLC

DIRECTORS

C J Rea

M O Williams

R J Smith

SECRETARY

N J Hodson

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

Midland Bank plc, 660 Staniforth Road, Darnall, Sheffield S9 4LQ

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

AESSEAL SE PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1998

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 year ended 31 December 1998. The comparative figures are for the nine months ended 31 December 1997.

CHANGE OF NAME

By a special resolution on 22 March 1999, the company changed its name to AESSEAL SE PLC from Sealtec SE Plc.

ACTIVITIES

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

BUSINESS REVIEW

The Directors consider the results for the year to be satisfactory.

RESULTS FOR THE YEAR

Profit on ordinary activities before taxation amounted to £239584 (Period ended 31 December 1997 £272106) and after taxation of £155758 (Period ended 31 December 1997 £192880).

INFORMATION TECHNOLOGY AND THE YEAR 2000

The directors are aware of the implications of the millenium issue. Action has been taken to ensure that any necessary systems modifications are completed within the time available. The cost of compliance is not expected to be material in the context of the other normal operating costs.

EUROPEAN MONETARY UNION

The impact on the company of the changeover to the Euro has not been significant.

DIVIDENDS

No interim dividend was paid in the year (1997 £12.00 per share). The Directors do not recommend payment of a final dividend for the year ended 31 December 1998.

AESSEAL SE PLC

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1998

TAX STATUS

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

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 29 days.

DIRECTORS

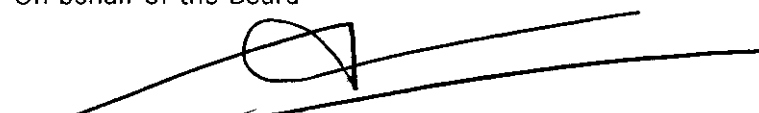
The members of the Board during the year were:

C J Rea
M O Williams
R J Smith (appointed 1 January 1998)

AUDITORS

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

On behalf of the Board


N J Hodson
Secretary

10 June 1999

AUDITORS' REPORT TO THE SHAREHOLDERS OF AESSEAL SE PLC

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Roddis Taylor Robinson

Roddis Taylor Robinson
Chartered Accountants
Registered Auditors

10 June 1999

AESSEAL SE PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

<u>Notes</u>	Year ended 31.12.98 £	Nine months ended 31.12.97 £
2 TURNOVER - CONTINUING OPERATIONS	2417548	1630570
Change in stocks of finished goods	79983	18270
	<u>2497531</u>	<u>1648840</u>
Raw materials and consumables	(1387408)	(907917)
Other external charges	(17610)	(13996)
Staff costs	(500189)	(309514)
Depreciation	(60970)	(30810)
Other operating charges	(296234)	(116612)
	<u>(2262411)</u>	<u>(1378849)</u>
OPERATING PROFIT - CONTINUING OPERATIONS	235120	269991
Interest receivable and similar income	5299	2115
3 Interest payable and similar charges	<u>(835)</u>	<u>-</u>
4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	239584	272106
5 Tax on profit on ordinary activities	<u>(83826)</u>	<u>(79226)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	155758	192880
6 Dividends	<u>-</u>	<u>(600000)</u>
16 TRANSFER TO/(FROM) RESERVES	<u>155758</u>	<u>(407120)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 1998

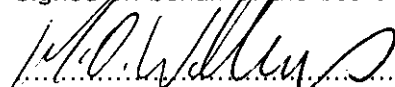
The Company had no recognised gains or losses other than the profit for the year of £155758 (Profit for the period ended 31 December 1997 £192880).

AESSEAL SE PLC

BALANCE SHEET AT 31 DECEMBER 1998

<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
FIXED ASSETS		
7 Tangible assets	<u>462279</u>	<u>427016</u>
CURRENT ASSETS		
8 Stocks	242064	162082
9 Debtors	468291	550934
Cash at bank and in hand	<u>55604</u>	<u>73700</u>
	765959	786716
10 CREDITORS (amounts due within one year)	<u>(892926)</u>	<u>(1056331)</u>
NET CURRENT LIABILITIES	<u>(126967)</u>	<u>(269615)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		
	335312	157401
11 CREDITORS (amounts due after more than one year)	(20570)	-
13 PROVISIONS FOR LIABILITIES AND CHARGES	<u>(10229)</u>	<u>(8646)</u>
	<u>304513</u>	<u>148755</u>
CAPITAL AND RESERVES		
15 Called up share capital	50000	50000
16 Profit and loss account	<u>254513</u>	<u>98755</u>
17 SHAREHOLDERS' FUNDS	<u>304513</u>	<u>148755</u>

Signed on behalf of the Board


M O Williams - Director

AESSEAL SE PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998

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 year 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 the 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% straight line
Motor vehicles	25% straight line
Freehold land is not depreciated	

Fixtures and fittings are now depreciated using the straight line method at 15% per annum. The effect of this change is to increase the depreciation charge for the year by £6929.

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 year.

AESSEAL SE PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1998

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 the Directors consider that such disclosure would be seriously prejudicial to the interests of the Company.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1998</u> £	<u>1997</u> £
Bank overdraft interest	501	-
Finance charges - hire purchase obligations and finance leases	275	-
Other interest	59	-
	<u>835</u>	<u>-</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended <u>31.12.98</u> £	Nine months ended <u>31.12.97</u> £
After charging:		
Directors' emoluments (see note 18)	119813	46382
Depreciation - owned assets	61584	37352
Depreciation - assets held under hire purchase contracts	1910	-
Auditors' remuneration including expenses - Audit	4500	4200
- Non Audit Services	3248	2759
	<u>190655</u>	<u>88693</u>
After crediting:		
Profit on disposal of fixed assets	<u>2524</u>	<u>6542</u>

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1998

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1998</u> £	<u>1997</u> £
UK Corporation tax	78290	77680
Corporation tax underprovided in prior year	3953	-
Transfer to deferred tax	1583	1546
	<u>83826</u>	<u>79226</u>

6. DIVIDENDS

	<u>1998</u> £	<u>1997</u> £
Ordinary Shares:		
Interim paid - NIL per share (1997 £12.00 per share)	-	600000

7. TANGIBLE FIXED ASSETS

	<u>Freehold Land & Buildings</u> £	<u>Fixtures & Fittings</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
Cost:				
At 1 January 1998	285196	109516	155142	549854
Additions	-	19947	83486	103433
Disposals	-	-	(20863)	(20863)
At 31 December 1998	<u>285196</u>	<u>129463</u>	<u>217765</u>	<u>632424</u>
Depreciation:				
At 1 January 1998	22950	46203	53685	122838
Provision for the year	3400	17737	42357	63494
Disposals	-	-	(16187)	(16187)
At 31 December 1998	<u>26350</u>	<u>63940</u>	<u>79855</u>	<u>170145</u>
Net book value:				
At 31 December 1998	<u>258846</u>	<u>65523</u>	<u>137910</u>	<u>462279</u>
At 31 December 1997	<u>262246</u>	<u>63313</u>	<u>101457</u>	<u>427016</u>

The cost of depreciable assets included in freehold land and buildings at 31 December 1998 was £85196 (1997 £85196).

The net book value of tangible fixed assets includes an amount of £47388 (1997 £Nil) in respect of assets held under hire purchase contracts or finance leases.

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1998

8. STOCKS

	<u>1998</u>	<u>1997</u>
	£	£
Finished goods and goods for resale	<u>242064</u>	<u>162082</u>

9. DEBTORS

	<u>1998</u>	<u>1997</u>
	£	£
Trade debtors	459913	452281
Advance corporation tax recoverable	-	92858
Prepayments and accrued income	8378	5795
	<u>468291</u>	<u>550934</u>

10. CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)

	<u>1998</u>	<u>1997</u>
	£	£
Bank overdraft	-	81735
Obligations under finance leases and hire purchase contracts (see note 12)	22443	-
Trade creditors	140360	99633
Amounts owed to Parent undertaking	600000	600000
Other creditors	-	5000
Corporation tax payable	78290	170536
Other taxes and social security	19529	43546
Accruals and deferred income	32304	55881
	<u>892926</u>	<u>1056331</u>

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

11. CREDITORS (AMOUNTS DUE AFTER ONE YEAR)

	<u>1998</u>	<u>1997</u>
	£	£
Obligations under finance leases and hire purchase contracts (see note 12)	<u>20570</u>	<u>-</u>

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1998

12. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	<u>1998</u> £	<u>1997</u> £
Obligations under finance leases and hire purchase contracts	43013	-
Due within one year (included in current liabilities)	<u>22443</u>	<u>-</u>
Repayable between two and five years	<u>20570</u>	<u>-</u>

The obligations under hire purchase contracts are secured on certain tangible assets of the company.

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred Taxation</u> £
At 1 January 1998	8646
Transfer to profit and loss account	<u>1583</u>
At 31 December 1998	<u>10229</u>

14. DEFERRED TAXATION

The balance at 31 December 1998 is made up as follows:-

	<u>Provided and Potential</u> <u>1998</u> £	<u>1997</u> £
Timing differences:		
Accelerated capital allowances	<u>10229</u>	<u>8646</u>

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1998

15. CALLED UP SHARE CAPITAL

	<u>1998</u> £	<u>1997</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>

16. RESERVES

	Profit and <u>Loss Account</u> £
At 1 January 1998	98755
Retained profit for the year	<u>155758</u>
At 31 December 1998	<u>254513</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1998</u> £	<u>1997</u> £
Equity interests:		
Profit for the year	155758	192880
Dividends	-	(600000)
Net increase/(reduction) in shareholders' funds	<u>155758</u>	<u>(407120)</u>
Opening shareholders' funds	<u>148755</u>	<u>555875</u>
Closing shareholders' funds	<u>304513</u>	<u>148755</u>

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1998

18. INFORMATION REGARDING DIRECTORS

Share interests:

The table below sets out the names of the persons who were Directors of the Company at 31 December 1998 together with details of their interests in the shares of the Company at that date and corresponding details at 31 December 1997.

	31.12.98		31.12.97	
	<u>Non-beneficial</u>	<u>Beneficial</u>	<u>Non-beneficial</u>	<u>Beneficial</u>
C J Rea	1	-	1	-
M O Williams	-	-	-	-
R J Smith	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </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:

	Year ended <u>31.12.98</u> £	Nine months ended <u>31.12.97</u> £
Directors' emoluments amounted to:		
Emoluments including benefits in kind	113613	42382
Money purchase pension scheme contributions	6200	4000
	<u>119813</u>	<u>46382</u>

Financial transactions:

During the year the Company traded with AES Engineering Limited, a Company in which C J Rea and M O Williams have an interest. All transactions were carried out on a normal commercial basis.

There are two Directors who are members of money purchase pension schemes (Period ended 31 December 1997 one).

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1998

19. PARTICULARS OF EMPLOYEES

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

Category:	Year ended <u>31.12.98</u>	Nine months ended <u>31.12.97</u>
Directors	3	2
Salesmen	10	9
Administration	5	6
Stores	2	2
	<u>20</u>	<u>19</u>

Their total remuneration was:

	£	£
Wages and salaries	439338	274518
Social security costs	49996	27914
Other pension costs	10855	7082
	<u>500189</u>	<u>309514</u>

20. 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 year and amounted to £10855 (period ended 31 December 1997 £7082). There were no outstanding contributions at the year end (period ended 31 December 1997: £nil).

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 1998

21. 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 and other companies in the AES Group of Companies as the Company is a 100% Subsidiary undertaking. The Company did not enter into any transactions with the Directors during the year.

22. PARENT UNDERTAKING AND ULTIMATE HOLDING COMPANY

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

Copies of the accounts of AES Engineering Limited can be obtained from the Registered Office.

23. APPROVAL OF ACCOUNTS

These accounts were approved at a Directors' meeting held on 10 June 1999.