AESSEAL SE PLC

FORMERLY SEALTEC SE PLC

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

COMPANY NUMBER 2101607

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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

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

AESSEAL SE PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1999

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 1999.

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 and the position at 31 December 1999 to be satisfactory.

RESULTS FOR THE YEAR

Profit on ordinary activities before taxation amounted to £121365 (1998 £239584) and after taxation £82094 (1998 £155758).

DIVIDENDS

No interim dividend was paid in the year (1998 £Nil). The Directors do not recommend payment of a final dividend for the year ended 31 December 1999.

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

AUDITORS

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

INFORMATION TECHNOLOGY AND THE YEAR 2000

The directors are aware of the implications of the millennium issue. Action was taken to ensure that any necessary systems modifications were completed within the time available. The cost of compliance was not material in the context of the other normal operating costs.

On behalf of the Board

M O Williams
Director
11 July 2000

AUDITORS' REPORT TO THE SHAREHOLDERS OF AESSEAL SE PLC

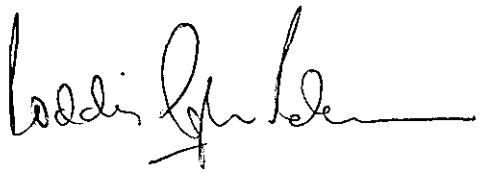
We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Roddis Taylor Robinson
Chartered Accountants
Registered Auditors

11 July 2000

AESSEAL SE PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1999

Notes		1999 £	1998 £
2	TURNOVER - CONTINUING OPERATIONS	2509667	2417548
	Change in stocks of finished goods	(49133)	79983
		2460534	2497531
	Raw materials and consumables	(1286850)	(1387408)
	Other external charges	(10818)	(17610)
	Staff costs	(618982)	(500189)
	Depreciation	(74816)	(60970)
	Other operating charges	(356778)	(296234)
		(2348244)	(2262411)
	OPERATING PROFIT - CONTINUING OPERATIONS	112290	235120
	Interest receivable and similar income	12670	5299
3	Interest payable and similar charges	(3595)	(835)
4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	121365	239584
5	Tax on profit on ordinary activities	(39271)	(83826)
	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	82094	155758
	Dividends	-	-
15	TRANSFER TO RESERVES	82094	155758

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 1999

The Company had no recognised gains or losses other than the profit for the year of £82094 (1998 £155758).

AESSEAL SE PLC

BALANCE SHEET AT 31 DECEMBER 1999

Notes		1999 £	1998 £
	FIXED ASSETS		
6	Tangible assets	417965	462279
	CURRENT ASSETS		
7	Stocks	192931	242064
8	Debtors	524256	468291
	Cash at bank and in hand	195104	55604
		912291	765959
9	CREDITORS (amounts due within one year)	(928856)	(892926)
	NET CURRENT LIABILITIES	(16565)	(126967)
	TOTAL ASSETS LESS CURRENT LIABILITIES	401400	335312
10	CREDITORS (amounts due after more than one year)	(12129)	(20570)
12	PROVISIONS FOR LIABILITIES AND CHARGES	(2664)	(10229)
		386607	304513
	CAPITAL AND RESERVES		
14	Called up share capital	50000	50000
15	Profit and loss account	336607	254513
16	SHAREHOLDERS' FUNDS	386607	304513

Signed on behalf of the Board

M O Williams - Director

AESSEAL SE PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999

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
Computer equipment	20% straight line
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.

1. ACCOUNTING POLICIES (CONTINUED)

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.

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

	1999 £	1998 £
Bank overdraft interest	-	501
Finance charges - hire purchase obligations and finance leases	3540	275
Other interest	55	59
	3595	835

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

		1999 £	1998 £
After charging:			
Directors' emoluments (see note 18)		132299	119813
Depreciation - owned assets		54783	61584
Depreciation - assets held under hire purchase contracts		19417	1910
Auditors' remuneration including expenses	- Audit	5330	4500
	- Non Audit Services	4498	3248
Loss on disposal of fixed assets		616	-
Operating leases – property		5841	-
After crediting:			
Profit on disposal of fixed assets		-	2524
Foreign currency gain		613	-

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
UK Corporation tax	45741	78290
Corporation tax underprovided in prior year	1095	3953
Transfer (from)/to deferred tax	(7565)	1583
	39271	83826

6. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost:				
At 1 January 1999	285196	129463	217765	632424
Additions	-	11398	26075	37473
Disposals	-	(5755)	(11760)	(17515)
At 31 December 1999	285196	135106	232080	652382
Depreciation:				
At 1 January 1999	26350	63940	79855	170145
Provision for the year	3399	18579	52222	74200
Disposals	-	(863)	(9065)	(9928)
At 31 December 1999	29749	81656	123012	234417
Net book value:				
At 31 December 1999	255447	53450	109068	417965
At 31 December 1998	258846	65523	137910	462279

The cost of depreciable assets included in freehold land and buildings at 31 December 1999 was £85196 (1998 £85196).

The net book value of tangible fixed assets includes an amount of £65796 (1998 £47388) in respect of assets held under hire purchase contracts or finance leases.

7. STOCKS

	1999 £	1998 £
Finished goods and goods for resale	192931	242064

8. DEBTORS

	1999 £	1998 £
Trade debtors	501936	427985
Amounts owed by group undertakings	11760	32928
Prepayments and accrued income	10560	7378
	524256	468291

9. CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts (see note 11)	34258	22443
Trade creditors	24361	30902
Amounts owed to Group undertakings	746733	709458
Corporation tax payable	45741	78290
Other taxes and social security	59271	19529
Accruals and deferred income	18492	32304
	928856	892926

10. CREDITORS (AMOUNTS DUE AFTER ONE YEAR)

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts (see note 11)	12129	20570

11. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	46387	43013
Due within one year (included in current liabilities)	(34258)	(22443)
Repayable between two and five years	12129	20570

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

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £
At 1 January 1999	10229
Transfer from profit and loss account	(7565)
At 31 December 1999	2664

13. DEFERRED TAXATION

The balance at 31 December 1999 is made up as follows:-

	Provided and Potential	
	1999 £	1998 £
Timing differences:		
Accelerated capital allowances	2664	10229

14. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Allotted and fully paid:		
50000 ordinary shares of £1 each	50000	50000
Authorised:		
50000 ordinary shares of £1 each	50000	50000

15. RESERVES

	Profit and Loss Account £
At 1 January 1999	254513
Retained profit for the year	82094
At 31 December 1999	336607

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Equity interests:		
Profit for the year	82094	155758
Dividends	-	-
Net increase in shareholders' funds	82094	155758
Opening shareholders' funds	304513	148755
Closing shareholders' funds	386607	304513

17. LEASING COMMITMENTS

At 31 December the Company had annual commitments under non-cancellable operating leases as detailed below:

	1999 £	1998 £
Land and buildings		
Operating leases which expire:		
within two to five years	8000	-

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 1999 together with details of their interests in the shares of the Company at that date and corresponding details at 31 December 1998.

	31.12.99		31.12.98	
	Non-beneficial	Beneficial	Non-beneficial	Beneficial
C J Rea	1	-	1	-
M O Williams	-	-	-	-
R J Smith	-	-	-	-

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:

	1999 £	1998 £
Directors' emoluments amounted to:		
Emoluments including benefits in kind	129714	113613
Money purchase pension scheme contributions	2585	6200
	132299	119813

There are two Directors who are members of money purchase pension schemes (1998 two).

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.

19. PARTICULARS OF EMPLOYEES

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

Category:	1999	1998
Directors	3	3
Sales	12	10
Administration	6	5
Stores	2	2
	23	20

Their total remuneration was:

	£	£
Wages and salaries	553677	439338
Social security costs	57610	49996
Other pension costs	7695	10855
	618982	500189

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 £7695 (1998 £10855). There were no outstanding contributions at the year end (1998: £nil).

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.

21. RELATED PARTIES (CONTINUED)

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 at Global Technology Centre, Mill Close, Bradmarsh Business Park, Rotherham S60 1BZ, United Kingdom.

23. COMMITMENTS ON BEHALF OF GROUP COMPANIES

Along with the other Group undertakings based in the United Kingdom, the Company has given security in favour of HSBC Bank plc against Group borrowings by way of an Unlimited Multilateral Company guarantee to secure all liabilities of each other, and a debenture giving fixed and floating charges over assets of the Company.

Aesseal SE plc has also given security in favour of 3i Group plc against borrowings by its Parent Company, AES Engineering Limited, by way of a legal mortgage over the Company's freehold land and buildings, 11 Saxon House, Upminster Trading Park, Warley Street, Upminster, Essex RM14 3PJ.

24. APPROVAL OF ACCOUNTS

These accounts were approved at a Directors' meeting held on 11 July 2000.