

AESSEAL SE PLC
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2000
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

HSBC Bank plc, PO Box 50, 17 Church Street, Sheffield S1 1HH

AESSEAL SE PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2000

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 2000.

ACTIVITIES

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

BUSINESS REVIEW

The Directors consider the results for the year and the position at 31 December 2000 to be satisfactory.

RESULTS FOR THE YEAR

Profit on ordinary activities before taxation amounted to £379784 (1999 £121365) and after taxation £260313 (1999 £82094).

DIVIDENDS

No interim dividend was paid in the year (1999 £Nil). The Directors do not recommend payment of a final dividend for the year ended 31 December 2000.

AESSEAL SE PLC

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2000

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 28 days (1999 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.

On behalf of the Board



M O Williams
Director
6 July 2001

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.

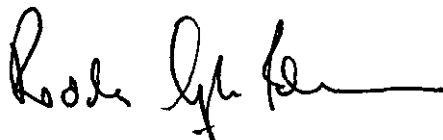
Basis of opinion

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 2000 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

6 July 2001

AESSEAL SE PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

<u>Notes</u>	<u>2000</u> £	<u>1999</u> £
2 TURNOVER - CONTINUING OPERATIONS	2926193	2509667
Change in stocks of finished goods	1088	(49133)
	2927281	2460534
Raw materials and consumables	(1601210)	(1286850)
Other external charges	(8887)	(10818)
Staff costs	(583086)	(618982)
Depreciation	(84351)	(74816)
Other operating charges	(256152)	(356778)
	(2533686)	(2348244)
 OPERATING PROFIT - CONTINUING OPERATIONS	 393595	 112290
Interest receivable and similar income	20939	12670
3 Interest payable and similar charges	(34750)	(3595)
4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	379784	121365
5 Tax on profit on ordinary activities	(119471)	(39271)
 PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	 260313	 82094
Dividends	-	-
15 TRANSFER TO RESERVES	260313	82094

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2000

The Company had no recognised gains or losses other than the profit for the year of £260313 (1999 £82094).

AESSEAL SE PLC

BALANCE SHEET AT 31 DECEMBER 2000

Notes	2000 £	1999 £
FIXED ASSETS		
6 Tangible assets	508547	417965
CURRENT ASSETS		
7 Stocks	194019	192931
8 Debtors	682265	524256
Cash at bank and in hand	103556	195104
9 CREDITORS (amounts due within one year)	979840 (835834)	912291 (928856)
NET CURRENT ASSETS/(LIABILITIES)	144006	(16565)
TOTAL ASSETS LESS CURRENT LIABILITIES	652553	401400
10 CREDITORS (amounts due after more than one year)	(3394)	(12129)
12 PROVISIONS FOR LIABILITIES AND CHARGES	(2239)	(2664)
	646920	386607
CAPITAL AND RESERVES		
14 Called up share capital	50000	50000
15 Profit and loss account	596920	336607
16 SHAREHOLDERS' FUNDS	646920	386607

Signed on behalf of the Board


M O Williams - Director

AESSEAL SE PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2000

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.

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2000

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

	<u>2000</u>	<u>1999</u>
	£	£
Group undertakings	32667	-
Finance charges - hire purchase obligations and finance leases	2083	3540
Other interest	-	55
	<u>34750</u>	<u>3595</u>

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2000

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2000</u>	<u>1999</u>
	£	£
After charging:		
Directors' emoluments (see note 18)	74834	132299
Depreciation - owned assets	72598	54783
Depreciation - assets held under hire purchase contracts	9519	19417
Auditors' remuneration including expenses - Audit	6247	5330
- Non Audit Services	2175	4498
Loss on disposal of fixed assets	2234	616
Operating leases - property	8000	5841
	<u> </u>	<u> </u>
After crediting:		
Foreign currency gain	-	613
	<u> </u>	<u> </u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2000</u>	<u>1999</u>
	£	£
UK Corporation tax at 30% (1999 28.8%)	119896	45741
Corporation tax underprovided in prior year	-	1095
Transfer from deferred tax	(425)	(7565)
	<u> </u>	<u> </u>
	119471	39271
	<u> </u>	<u> </u>

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2000

6. TANGIBLE FIXED ASSETS

	Freehold Land & Buildings £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost:				
At 1 January 2000	285196	135106	232080	652382
Additions	-	65124	140164	205288
Disposals	-	(41395)	(132213)	(173608)
At 31 December 2000	285196	158835	240031	684062
Depreciation:				
At 1 January 2000	29749	81656	123012	234417
Provision for the year	3404	20405	58308	82117
Disposals	-	(32800)	(108219)	(141019)
At 31 December 2000	33153	69261	73101	175515
Net book value:				
At 31 December 2000	252043	89574	166930	508547
At 31 December 1999	255447	53450	109068	417965

The cost of depreciable assets included in freehold land and buildings at 31 December 2000 was £85196 (1999 £85196).

The net book value of tangible fixed assets includes an amount of £21213 (1999 £65796) in respect of assets held under hire purchase contracts or finance leases.

7. STOCKS

	2000 £	1999 £
Finished goods and goods for resale	194019	192931

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2000

8. DEBTORS

	<u>2000</u>	<u>1999</u>
	£	£
Trade debtors	654207	501936
Amounts owed by group undertakings	20869	11760
Prepayments and accrued income	7189	10560
	<u>682265</u>	<u>524256</u>

9. CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)

	<u>2000</u>	<u>1999</u>
	£	£
Obligations under finance leases and hire purchase contracts (see note 11)	9490	34258
Trade creditors	17915	24361
Amounts owed to Group undertakings	591165	746733
Corporation tax payable	119896	45741
Other taxes and social security	67143	59271
Accruals and deferred income	30225	18492
	<u>835834</u>	<u>928856</u>

10. CREDITORS (AMOUNTS DUE AFTER ONE YEAR)

	<u>2000</u>	<u>1999</u>
	£	£
Obligations under finance leases and hire purchase contracts (see note 11)	<u>3394</u>	<u>12129</u>

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2000

11. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	<u>2000</u>	<u>1999</u>
	£	£
Obligations under finance leases and hire purchase contracts	12884	46387
Due within one year (included in current liabilities)	(9490)	(34258)
Repayable between two and five years	<u>3394</u>	<u>12129</u>

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

12. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred Taxation</u>
	£
At 1 January 2000	2664
Transfer to profit and loss account	(425)
At 31 December 2000	<u>2239</u>

13. DEFERRED TAXATION

The balance at 31 December 2000 is made up as follows:-

	<u>Provided and Potential</u>	<u>1999</u>
	<u>2000</u>	£
	£	£
Timing differences:		
Accelerated capital allowances	3439	2664
Other timing differences	(1200)	-
	<u>2239</u>	<u>2664</u>

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2000

14. CALLED UP SHARE CAPITAL

	<u>2000</u>	<u>1999</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>

15. RESERVES

	<u>Profit and Loss Account</u>
	£
At 1 January 2000	336607
Retained profit for the year	<u>260313</u>
At 31 December 2000	<u>596920</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2000</u>	<u>1999</u>
	£	£
Equity interests:		
Profit for the year	260313	82094
Dividends	-	-
Net increase in shareholders' funds	<u>260313</u>	<u>82094</u>
Opening shareholders' funds	386607	304513
Closing shareholders' funds	<u>646920</u>	<u>386607</u>

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2000

17. LEASING COMMITMENTS

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

	<u>2000</u> £	<u>1999</u> £
Land and buildings		
Operating leases which expire: within two to five years	<u>8000</u>	<u>8000</u>

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 2000 together with details of their interests in the shares of the Company at that date and corresponding details at 31 December 1999.

	31.12.00		31.12.99	
	<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	-	-	-	-

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>2000</u> £	<u>1999</u> £
Directors' emoluments amounted to:		
Emoluments including benefits in kind	68414	129714
Money purchase pension scheme contributions	6420	2585
	<u>74834</u>	<u>132299</u>

There are two Directors who are members of money purchase pension schemes (1999 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.

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2000

19. PARTICULARS OF EMPLOYEES

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

Category:	<u>2000</u>	<u>1999</u>
Directors	3	3
Sales	12	12
Administration	7	6
Stores	1	2
	<u>23</u>	<u>23</u>

Their total remuneration was:

	<u>£</u>	<u>£</u>
Wages and salaries	517082	553677
Social security costs	54237	57610
Other pension costs	11767	7695
	<u>583086</u>	<u>618982</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 £11767 (1999 £7695). There were outstanding contributions at the year end of £4000 (1999: £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.

AESSEAL SE PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2000

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 HSBC Bank 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 6 July 2001.