

Registered

**AESSEAL PLC
(FORMERLY AESSEAL SE PLC)**

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2001
COMPANY NUMBER 2101607**



AESSEAL PLC

DIRECTORS AT 31 DECEMBER 2001

C J Rea OBE

M O Williams

R J Smith

SECRETARY

G W Bridge

REGISTERED OFFICE

Global Technology Centre, Mill Close, Bradmarsh Business Park, Rotherham S60 1BZ

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 PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2001

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 2001.

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 2001 to be satisfactory.

RESULTS FOR THE YEAR

Profit on ordinary activities before taxation amounted to £400569 (2000 £379784) and after taxation £274532 (2000 £260313).

DIVIDENDS

No interim dividend was paid in the year (2000 £Nil). The Directors do not recommend payment of a final dividend for the year ended 31 December 2001.

CHANGE OF NAME

By special resolution on 8 January 2002, the Company changed its name to AESSEAL Plc from AESSEAL SE Plc.

AESSEAL PLC

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2001

EVENTS SINCE 31 DECEMBER 2001

On 1 January 2002, AES Engineering Limited, the Parent Company of AESSEAL Plc, transferred its trade in mechanical seals and related products (with the exception of its overseas branches) together with certain assets and liabilities to AESSEAL Plc.

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. After the year end, as part of the Group restructuring, the land and buildings were transferred to the Parent Company, AES Engineering Limited.

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

Terms of payment are agreed with suppliers and adhered to and are generally in line with the standard payment practice.

The number of creditor days at the year end was 23 days (2000 28 days).

DIRECTORS

The members of the Board during the year were:

C J Rea OBE
M O Williams
R J Smith

AUDITORS

Roddiss 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
19 July 2002

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AESSEAL PLC

We have audited the financial statements of AESSEAL Plc for the year ended 31 December 2001 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 the law regarding Directors' remuneration and transactions with the Company 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.

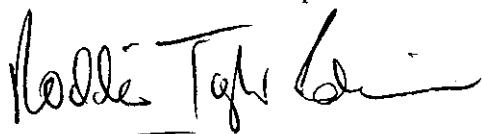
Basis of audit opinion

We conducted our audit in accordance with the United Kingdom 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 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 2001 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

19 July 2002

AESSEAL PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

<u>Notes</u>	<u>2001</u> £	<u>2000</u> £
2 TURNOVER - CONTINUING OPERATIONS	3021452	2926193
Change in stocks of finished goods	(2754)	1088
	<u>3018698</u>	<u>2927281</u>
Raw materials and consumables	(1677250)	(1601210)
Other external charges	(14695)	(8887)
Staff costs	(573597)	(583086)
Depreciation	(88680)	(84351)
Other operating charges	(231360)	(256152)
	<u>(2585582)</u>	<u>(2533686)</u>
OPERATING PROFIT - CONTINUING OPERATIONS	433116	393595
Interest receivable and similar income	16413	20939
3 Interest payable and similar charges	<u>(48960)</u>	<u>(34750)</u>
4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	400569	379784
5 Tax on profit on ordinary activities	<u>(126037)</u>	<u>(119471)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	274532	260313
Dividends	-	-
15 TRANSFER TO RESERVES	<u>274532</u>	<u>260313</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2001

The Company had no recognised gains or losses other than the profit for the year of £274532 (2000 £260313).

AESSEAL PLC

BALANCE SHEET AT 31 DECEMBER 2001

<u>Notes</u>	<u>2001</u> £	<u>2000</u> £
FIXED ASSETS		
6 Tangible assets	478189	508547
CURRENT ASSETS		
7 Stocks	191265	194019
8 Debtors	496395	682265
Cash at bank and in hand	82548	103556
9 CREDITORS (amounts due within one year)	770208 (326945)	979840 (835834)
NET CURRENT ASSETS	443263	144006
TOTAL ASSETS LESS CURRENT LIABILITIES	921452	652553
10 CREDITORS (amounts due after more than one year)	-	(3394)
12 PROVISIONS FOR LIABILITIES AND CHARGES	-	(2239)
	921452	646920
CAPITAL AND RESERVES		
14 Called up share capital	50000	50000
15 Profit and loss account	871452	596920
16 SHAREHOLDERS' FUNDS	921452	646920

Signed on behalf of the Board


M O Williams - Director

AESSEAL PLC

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2001

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 PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2001

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>2001</u>	<u>2000</u>
	£	£
Interest payable to Parent undertaking	48448	32667
Finance charges - hire purchase obligations and finance leases	512	2083
	<u>48960</u>	<u>34750</u>

AESSEAL PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2001

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2001</u> £	<u>2000</u> £
After charging:		
Directors' emoluments (see note 18)	69481	74834
Depreciation - owned assets	82267	72598
Depreciation - assets held under hire purchase contracts	6519	9519
Auditors' remuneration including expenses - Audit	5675	6247
- Non Audit Services	1005	2175
Loss on disposal of fixed assets	-	2234
Operating leases - property	8000	8000
	<u>106</u>	<u>-</u>
After crediting:		
Profit on disposal of assets	<u>106</u>	<u>-</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>2001</u> £	<u>2000</u> £
UK Corporation tax at 30% (2000 30%)	128276	119896
Transfer from deferred tax	(2239)	(425)
	<u>126037</u>	<u>119471</u>

AESSEAL PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2001

6. TANGIBLE FIXED ASSETS

	<u>Freehold Land & Buildings</u> £	<u>Fixtures & Fittings</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
Cost:				
At 1 January 2001	285196	158835	240031	684062
Additions	-	24067	47905	71972
Disposals	-	-	(45595)	(45595)
At 31 December 2001	<u>285196</u>	<u>182902</u>	<u>242341</u>	<u>710439</u>
Depreciation:				
At 1 January 2001	33153	69261	73101	175515
Provision for the year	3408	24674	60704	88786
Disposals	-	-	(32051)	(32051)
At 31 December 2001	<u>36561</u>	<u>93935</u>	<u>101754</u>	<u>232250</u>
Net book value:				
At 31 December 2001	<u>248635</u>	<u>88967</u>	<u>140587</u>	<u>478189</u>
At 31 December 2000	<u>252043</u>	<u>89574</u>	<u>166930</u>	<u>508547</u>

The cost of depreciable assets included in freehold land and buildings at 31 December 2001 was £85196 (2000 £85196).

The net book value of tangible fixed assets includes an amount of £8944 (2000 £21213) in respect of assets held under hire purchase contracts or finance leases.

7. STOCKS

	<u>2001</u> £	<u>2000</u> £
Finished goods and goods for resale	<u>191265</u>	<u>194019</u>

AESSEAL PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2001

8. DEBTORS

	<u>2001</u>	<u>2000</u>
	£	£
Trade debtors	465324	654207
Amounts owed by group undertakings	21252	20869
Prepayments and accrued income	9819	7189
	<u>496395</u>	<u>682265</u>

9. CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)

	<u>2001</u>	<u>2000</u>
	£	£
Obligations under finance leases and hire purchase contracts (see note 11)	3394	9490
Trade creditors	27989	17915
Amounts owed to Group undertakings	114496	591165
Corporation tax payable	80276	119896
Other taxes and social security	62412	67143
Accruals and deferred income	38378	30225
	<u>326945</u>	<u>835834</u>

10. CREDITORS (AMOUNTS DUE AFTER ONE YEAR)

	<u>2001</u>	<u>2000</u>
	£	£
Obligations under finance leases and hire purchase contracts (see note 11)	-	3394

AESSEAL PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2001

11. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	<u>2001</u>	<u>2000</u>
	£	£
Obligations under finance leases and hire purchase contracts	3394	12884
Due within one year (included in current liabilities)	(3394)	(9490)
Repayable between two and five years	-	3394

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 2001	2239
Transfer from profit and loss account	(2239)
At 31 December 2001	-

13. DEFERRED TAXATION

The balance at 31 December 2001 is made up as follows:-

	<u>Provided and Potential</u>	<u>2000</u>
	<u>2001</u>	£
	£	£
Timing differences:		
Accelerated capital allowances	2168	3439
Other timing differences	(2168)	(1200)
	-	2239

AESSEAL PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2001

14. CALLED UP SHARE CAPITAL

	<u>2001</u>	<u>2000</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 2001	596920
Retained profit for the year	<u>274532</u>
At 31 December 2001	<u>871452</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2001</u>	<u>2000</u>
	£	£
Equity interests:		
Profit for the year	274532	260313
Dividends	-	-
Net increase in shareholders' funds	<u>274532</u>	<u>260313</u>
Opening shareholders' funds	646920	386607
Closing shareholders' funds	<u>921452</u>	<u>646920</u>

AESSEAL PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2001

17. LEASING COMMITMENTS

At 31 December 2001 the Company had annual commitments under non-cancellable operating leases as detailed below:

	<u>2001</u>	<u>2000</u>
	£	£
Land and buildings		
Operating leases which expire:		
within one year	8000	-
within two to five years	-	8000
	<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 2001 together with details of their interests in the shares of the Company at that date and corresponding details at 31 December 2000.

	<u>31.12.01</u>		<u>31.12.00</u>	
	<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>1</u>	<u>-</u>	<u>1</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:

	<u>2001</u>	<u>2000</u>
	£	£
Directors' emoluments amounted to:		
Emoluments including benefits in kind	62986	68414
Money purchase pension scheme contributions	6495	6420
	<u>69481</u>	<u>74834</u>

There are two Directors who are members of money purchase pension schemes (2000 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 PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2001

19. PARTICULARS OF EMPLOYEES

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

Category:	<u>2001</u>	<u>2000</u>
Directors	3	3
Sales	11	12
Administration	7	7
Stores	1	1
	<u>22</u>	<u>23</u>

Their total remuneration was:

	<u>£</u>	<u>£</u>
Wages and salaries	506030	517082
Social security costs	55306	54237
Other pension costs	12261	11767
	<u>573597</u>	<u>583086</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 £12261 (2000 £11767). There were outstanding contributions at the year end of £8000 (2000: £4000).

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 PLC

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2001

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 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 19 July 2002.