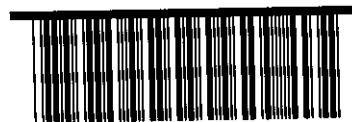


PENDLE FLUID SEALING LIMITED

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MAY 1999



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Company No. 1559281

PENDLE FLUID SEALING LIMITED

COMPANY INFORMATION

Directors	Mr J Lorrison Mr CF Norton
Secretary	Mr CF Norton
Company Number	1559281
Registered Office	Vulcan Works Warehouse Lane Foulridge Colne BB8 7PP
Auditors	THR Charter House 166 Garstang Road Fulwood Preston PR2 8NB
Solicitors	Hartley Linfoot and Whitlam 3 St Peters Close Sheffield S1 2EJ
Bankers	Midland Bank Plc PO Box 24 12 Manchester Road Burnley BB11 1JH

PENDLE FLUID SEALING LIMITED

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PENDLE FLUID SEALING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 1999

The directors present their report together with the audited financial statements for the year ended 31 May 1999.

Principal Activities and Review of Business

The company has not traded during the year.

Dividends

The directors do not recommend a dividend .

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	A Ordinary Shares		B Ordinary Shares	
	31	1	31	1
	May	June	May	June
	1999	1998	1999	1998
Mr J Lorrison	1,467	2,967	1,500	-
Mr CF Norton	312	312	-	-

Purchase of Own Shares

After a period of disagreement with Mr Kiddle and Mr Bayliss, two former directors, the company purchased the their shares as detailed below:

Mr Kiddle	312 ordinary £1 shares for £32,000 consideration,
Mr Bayliss	312 ordinary £1 shares for £28,829 consideration.

The shares purchased represented 15.99% of the called up share capital at the time the purchase took place.

Political and Charitable Contributions

The company made no political or charitable contributions during the year.

PENDLE FLUID SEALING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 1999

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 the company's affairs and of the profit or loss for that year. In preparing these 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;

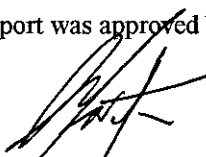
Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and 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 and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint THR Chartered Accountants as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board on 4TH October 1999, and signed on its behalf.



Mr CF Norton, Secretary

Date: 4TH October 1999

AUDITORS' REPORT TO THE SHAREHOLDERS OF PENDLE FLUID SEALING LIMITED

We have audited the financial statements on pages 4 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective Responsibilities of Directors and Auditors

As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and 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 planned and performed our audit so as to obtain all 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 the 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 May 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

THR
Chartered Accountants and Registered Auditors
Charter House
166 Garstang Road
Fulwood
Preston
PR2 8NB
Date:

Therion Haynes + Partners

2nd December 1999

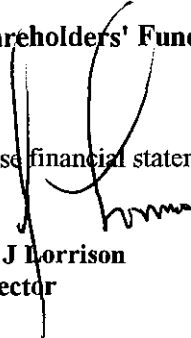
PENDLE FLUID SEALING LIMITED

BALANCE SHEET

AS AT 31 MAY 1999

	Notes	£	1999 £	£	1998 £
Fixed Assets					
Investments	2		1,582		1,582
Current Assets					
Debtors	3	120,011		180,840	
Net Current Assets			120,011		180,840
Total Assets Less Current Liabilities			121,593		182,422
Capital and Reserves					
Share capital	4		3,279		3,903
Capital redemption reserve	5		624		-
Profit and loss account	5		117,690		178,519
Shareholders' Funds			121,593		182,422

These financial statements were approved by the board on 7 October 1999 and signed on its behalf.


Mr J Lorrison
Director

PENDLE FLUID SEALING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1999

1 Accounting Policies

Basis of Accounting

The Financial Statements have been prepared under the historical cost convention.

The company is exempt from the requirement to prepare group financial statements by virtue of section 248 of the Companies Act 1985. These accounts therefore present information about the company as an individual undertaking and not about its group.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Group Relief

The financial statements have been prepared based on the assumption that there will be no payment made for group relief surrendered.

2 Fixed Assets Investments

	Subsidiary Undertakings
Cost	£
At 1 June 1998	1,582
At 31 May 1999	1,582
Net Book Value	
At 31 May 1999	1,582
At 31 May 1998	1,582

Pendle Fluid Sealing Limited owns 100 £1 ordinary shares in Pendle Polymer Engineering Limited being 100% of its equity share capital. Both companies are registered in England.

At 31 May 1998 the aggregate of the share capital and reserves of Pendle Polymer Engineering Limited amounted to £397,102 and the profit for the year was £28,315.

3 Debtors	1999	1998
	£	£
Amounts owed by group undertaking due after more than one year	120,011	180,840

PENDLE FLUID SEALING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1999

4	Share Capital	1999 £	1998 £
	Authorised Equity Shares		
	23,500 'A' Ordinary shares of £1.00 each	23,500	25,000
	1,500 'B' Ordinary shares of £1.00 each	1,500	-
		<u>25,000</u>	<u>25,000</u>
	Allotted Equity Shares		
	1,779 Allotted, called up and fully paid 'A' ordinary shares of £1.00 each	1,779	3,903
	1,500 Allotted, called up and fully paid 'B' ordinary shares of £1.00 each	1,500	-
		<u>3,279</u>	<u>3,903</u>

During the year the ordinary shares were redesignated into 'A' and 'B' ordinary shares. Both the 'A' and 'B' shares will rank pari-passu and have the same rights attached to them as the original ordinary shares.

During the year the company repurchased 624 ordinary £1 shares from two former directors for an aggregate consideration of £60,829.

5 Reserves

	Capital Redemption Reserve	Profit and Loss Account
	£	£
At 1 June 1997	-	178,519
Purchase of own shares	-	(60,829)
Purchase of own shares	624	-
At 31 May 1999	<u>624</u>	<u>117,690</u>

6 Capital Commitments

Pendle Polymer Engineering Limited had the following capital commitments:	1999 £	1998 £
Contracted for but not provided in the financial statements	<u>24,877</u>	<u>-</u>

PENDLE FLUID SEALING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1999

7 Group Guarantees and Financial Commitments

An unlimited multilateral guarantee has been given by the company to the bankers of Pendle Polymer Engineering Limited and Pendle Fluid Sealing Limited. The group borrowings total £368,953 (1998: £208,029) which relate solely to Pendle Polymer Engineering Limited and they are secured against the assets of that company.

Pendle Polymer Engineering Limited has two loans from the Council for Smaller Industries in Rural Areas totalling £19,559 which are secured on freehold land and buildings.

Pendle Polymer Engineering Limited also has hire purchase and finance lease creditors of £112,203 which are secured under hire purchase and finance lease agreements against specific items of tangible assets.

8 Related Parties

In the directors' opinion the company is controlled by Mr J Lorrison, a director .