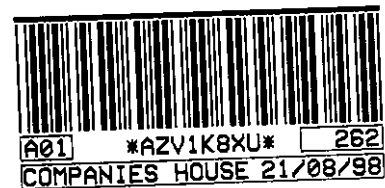


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EPICURE INDUSTRIAL HOLDINGS LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

31 DECEMBER 1997



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EPIPURE INDUSTRIAL HOLDINGS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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EPICURE INDUSTRIAL HOLDINGS LIMITED

DIRECTORS

T Holmgren
H P Loid

REGISTERED OFFICE

19 St Catherine's Road
Grantham NG31 6TT

SECRETARY

C&H Consultancy Services Limited

COMPANY REGISTRATION NO.

2161554

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 1997. These accounts present information about the company and not about its group as the company is entitled to the exemption from preparing group accounts conferred by Section 228 of the Companies Act 1985.

RESULTS AND DIVIDEND

The profit for the year on ordinary activities amounts to £466,000 (1996 £2,021,000). A first and final dividend amounting to £424,000 was paid during the year.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Company acts as a holding company, and in that capacity, owns the share capital of subsidiaries and 50% of the share capital of an associate involved in the manufacture and distribution of piston rings principally for the marine diesel market.

Trading conditions in the UK have continued to be very difficult resulting in a further loss for the UK subsidiary. The Italian subsidiary has, however, made a satisfactory profit.

DIRECTORS AND THEIR INTERESTS

The names of the present directors are shown above. None of the Directors had any interest in the share capital of the Company or the Ultimate Parent Undertaking during the year.

RESEARCH AND DEVELOPMENT

The company has a policy of continual review with a view to improving production methods of piston rings.

EMPLOYEES

It is the policy of the Board to keep all employees informed of the progress of the company. The company pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others.

EPICURE INDUSTRIAL HOLDINGS LIMITED

POLITICAL AND CHARITABLE CONTRIBUTIONS

There were no political or charitable donations either during 1997 or 1996.

EVENTS AFTER BALANCE SHEET DATE

On 7 May 1998 The Standard Piston Ring Company Limited, a subsidiary of Epicure Industrial Holdings Limited, announced that they are stopping manufacturing on 24 July 1998 with the exception of rod rings. They will in future be sourcing all other goods from sister companies.

In the opinion of the Directors, no other events have taken place since the Balance Sheet date which warrant special disclosure.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that year. In preparing those accounts, 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 accounts;

prepare the accounts 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 accounts comply with the Companies Act. 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

During the period KPMG resigned and were replaced by Deloitte & Touche. Deloitte & Touche have expressed their willingness to continue in office.

By Order of the Board

C&H Consultancy Services Limited

Secretary
C&H Consultancy Services Limited

30 June 1998

AUDITORS REPORT TO THE MEMBERS OF EPICURE INDUSTRIAL HOLDINGS LIMITED

We have audited the accounts on Pages 4 to 9, which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described in 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 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 judgments 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE
Chartered Accountants
and Registered Auditors
1 Woodborough Road
NOTTINGHAM

30 June 1998

EPICURE INDUSTRIAL HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997 £'000s	1996 £'000s
TURNOVER	1(a)/2	25	15
NET OPERATING EXPENSES		(26)	(34)
OPERATING LOSS	3	(1)	(19)
Dividend received from subsidiary undertakings		464	2,168
		463	2,149
Interest	5	3	(96)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		466	2,053
TAXATION	6	-	(32)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		466	2,021
Dividend	7	(424)	(2,158)
RETAINED PROFIT/(LOSS) FOR THE YEAR		42	(137)

The company has no recognised gains and losses other than as disclosed above and there have been no discontinued activities or acquisitions in the year or prior year.

Notes

A statement of the movement on Revenue Reserves is shown in Note 15.

EPICURE INDUSTRIAL HOLDINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

	Notes	Company	
		31.12.97 £'000s	31.12.96 £'000s
FIXED ASSETS			
Investments in Subsidiary Undertakings	8	2,332	2,332
Other Investments	9	<u>50</u>	<u>50</u>
		<u>2,382</u>	<u>2,382</u>
CURRENT ASSETS			
Debtors	10	9	24
Cash at Bank and in Hand		<u>63</u>	<u>18</u>
		72	42
CREDITORS (amounts falling due within one year)	11	<u>(25)</u>	<u>(23)</u>
NET CURRENT ASSETS		<u>47</u>	<u>19</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,429</u>	<u>2,401</u>
CREDITORS (amounts falling due after more than one year)	12	1,051	1,065
CAPITAL AND RESERVES			
Called up Share Capital	14	850	850
Profit and Loss Account	15	<u>528</u>	<u>486</u>
EQUITY SHAREHOLDERS' FUNDS		<u>1,378</u>	<u>1,336</u>
		<u>2,429</u>	<u>2,401</u>

Approved by the Board on 30 June 1998 and signed on its behalf by:


H P LOID
Director

EPICURE INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1997

1. ACCOUNTING POLICIES

The accounts are prepared on the historical cost convention and in accordance with applicable accounting standards.

(a) Turnover

Turnover represents the total amount receivable (excluding value added tax) for management services provided to its associated company during the year.

(b) Deferred Taxation

Provision for deferred taxation is made in respect of timing differences which are expected, with reasonable probability, to result in a tax liability in the foreseeable future.

(c) Related Party Transactions

As the company is a wholly owned subsidiary of Addum AB, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Addum AB, within which the company is included, can be obtained from the address given in note 17.

(d) Group Accounts

It is the policy of the company to take advantage of the exemption from preparing group accounts, conferred by Section 228 of the Companies Act 1985. These financial statements provide information about the company as an individual undertaking and not about its group.

(e) Cash Flow Statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of a controlling party, incorporated in Sweden, and its cash flows are included within the consolidated cash flow statement of that company.

2. TURNOVER

	1997 £'000s	1996 £'000s
United Kingdom	<u>25</u>	<u>15</u>

Turnover is attributable to one activity which is the provision of management services to an associated company.

3. OPERATING LOSS

The following have been debited before arriving at operating loss:-

Auditors' Remuneration for audit services	<u>2</u>	<u>4</u>
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4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Directors received no remuneration during the year. There were no other employees.

EPICURE INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1997

5. INTEREST

	1997 £'000s	1996 £'000s
Parent Undertaking	-	97
Less: Bank Interest Received	<u>(3)</u>	<u>(1)</u>
	<u>(3)</u>	<u>96</u>

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge, based on the profit for the year, comprises:-

Deferred taxation:		
Current Year	-	32
	<u>-</u>	<u>32</u>

7. DIVIDEND

Ordinary - interim	-	906
- final (49.9p per share)	<u>424</u>	<u>1,252</u>
	<u>424</u>	<u>2,158</u>

8. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Shares at Cost at 1 January 1997 and 31 December 1997	<u>2,332</u>	<u>2,332</u>
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It is the Directors' opinion that the value of the investment in subsidiary undertakings is not less than the book value.

Details of the company's subsidiary undertakings are given in Note 16.

9. OTHER INVESTMENTS

Loan to Associated Undertaking:-		
As at 1 January 1997 and 31 December 1997	<u>50</u>	<u>50</u>

The company owns 50% of the share capital of Piston Rings (UK) Limited. There is no fixed repayment term for the loan.

EPICURE INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1997

10. DEBTORS

	1997 £'000s	1996 £'000s
Amounts Owed by Subsidiary Undertakings	9	9
Amounts Owed by Associated Undertakings	-	15
	<u>9</u>	<u>24</u>

11. CREDITORS (Amounts Falling Due Within One Year)

Accruals	<u>25</u>	<u>23</u>
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12. CREDITORS (Amounts Falling Due After More Than One Year)

Amount Owed to Daros Holding AB	<u>1,051</u>	<u>1,065</u>
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13. PROVISION FOR LIABILITIES AND CHARGES

(i) Deferred Taxation:-		
Balance at 1 January 1997	-	(32)
Charge/(Credit)	-	<u>32</u>
Balance at 31 December 1997	<u>-</u>	<u>-</u>

14. CALLED UP SHARE CAPITAL

Authorised:-		
900,100 Ordinary Shares of £1 each	<u>900</u>	<u>900</u>
Allotted and Fully Paid:-		
850,002 Ordinary Shares of £1 each	<u>850</u>	<u>850</u>

15. PROFIT AND LOSS ACCOUNT

At 1 January 1997	486	623
Profit/(Loss) for the Year Transferred to Reserves	<u>42</u>	<u>(137)</u>
At 31 December 1997	<u>528</u>	<u>486</u>

EPICURE INDUSTRIAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 1997

16. SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

The company's subsidiaries and associated undertakings at 31 December 1997 were:-

Registered and operating in England and Wales:-

Subsidiaries	Principal Activity	% Holding
The Standard Piston Ring Co Ltd	Piston Ring Manufacture	100% of Ordinary Share Capital
Temple Marine Spares Ltd	Dormant	100% of Ordinary Share Capital

Incorporated and operating in Italy

Subsidiary

Industriale SRL	Piston Ring Manufacture	100% of Ordinary Share Capital
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Registered and operating in England and Wales:

Associate

Piston Rings (UK) Limited	Piston Ring Distribution	50% of Ordinary Share Capital
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17. ULTIMATE PARENT

The company is a wholly owned subsidiary of Daros Holding AB, a company incorporated in Sweden. The ultimate parent company and controlling party is Industrie Kapital AB, also incorporated in Sweden.

The largest group in which the results of Epicure Industrial Holdings Limited are consolidated is Industrie Kapital AB, Villa Ekensberg, S-170 77 Solna, Sweden. The smallest group in which they are consolidated is Daros Holding AB. Daros Holding AB accounts are available from G Wolff, Daros Holding AB, Box 604, S-433 28 Partille, Gothenburg, Sweden.

18. RELATED PARTY TRANSACTIONS

The company supplied financial consultancy services to its associate Piston Rings UK Limited to the value of £25,000 during the year. The balance owing on loan account by Piston Rings UK Limited as at 31 December 1997 was £50,000 as shown under Note 9. There is no fixed repayment date for this loan.

19. POST BALANCE SHEET EVENTS

On 7 May 1998 The Standard Piston Ring Company Limited, a subsidiary of Epicure Industrial Holdings Limited, announced that they are ceasing manufacture on 24 July 1998 with the exception of rod rings. They will in future be sourcing all other goods from sister companies.

The estimated cost of the resulting reorganisation is £1,500,000.