

REGISTRAR OF COMPANIES

VECTOR INTERNATIONAL LIMITED

Report and Financial Statements

31 December 2001

**Deloitte & Touche
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF24 0TS**



REPORT AND FINANCIAL STATEMENTS 2001

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A C P Smith
K Mjanger*
I S Robinson
J E Stobbart
D R Lewis

SECRETARY

M D Kenealy

REGISTERED OFFICE

Unit 18
Baglan Industrial Estate
Port Talbot
SA12 7DJ

BANKERS

Bank of Wales plc
Kingsway
Cardiff
CF41 4YB

SOLICITORS

M and A Solicitors
Kenneth Pollard House
5-19 Cowbridge Road East
Cardiff
CF1 9AB

Morgan Cole
Bradley Court
Park Place
Cardiff
CF10 3DP

AUDITORS

Deloitte & Touche
Chartered Accountants
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF24 0TS

* Non Executive Director

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

ACTIVITIES

The principal activities of the company are the design and manufacture of high pressure pipe clamp and flange connectors primarily for use in the oil, gas and petrochemical industries.

ACQUISITIONS

On 2 April 2001, the company purchased 100% of Fluid Sealing Products Limited for £247,515 cash consideration.

On 28 December 2001 the assets and liabilities of Fluid Sealing Products (Wales) Limited were hived up to Vector International Limited.

RESULTS, REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year are set out in the profit and loss account on page 6. The financial position of the company as at 31 December 2001 is set out in the balance sheet on page 7.

Losses in the year were attributable to exceptional write offs that the directors thought prudent to make due to current trading. The directors expect that the company will return to profitability as long as the current economic climate is favourable.

RESEARCH AND DEVELOPMENT

The directors have assessed the likely outcome of the sub sea clamp project and no longer believe that the project is commercially viable. Consequently, the capitalised development expenditure of £177,463 was expensed in the year, as it no longer meets the criteria for deferral.

DIVIDENDS

The interim dividends paid and final dividends proposed in respect of the year ended 31 December 2001 and the year ended 31 December 2000 were:

	31 December 2001 £	31 December 2000 £
Interim paid		
'A' ordinary	8,885	8,947
Final proposed		
'A' ordinary	-	-
	<u>8,885</u>	<u>8,947</u>

DIRECTORS AND THEIR INTERESTS

The directors of the company as at 31 December 2001 are set out on page 1. All directors served throughout the year.

The interests of the directors in the shares of the company as at 31 December 2001 and 31 December 2000 respectively were:

DIRECTORS' REPORT (continued)

DIRECTORS AND THEIR INTERESTS (continued)

	'B' Ordinary shares of £1 each		Ordinary shares of £1 each	
	31 December 2001 No.	31 December 2000 No.	31 December 2001 No.	31 December 2000 No.
J E Stobbart	162	162	46,618	46,618
K Mjanger	162	162	8,387	8,387
I S Robinson	3,000	3,000	-	-
A C P Smith	3,000	3,000	-	-
D R Lewis	162	-	29,336	-

The directors' interests in share options at 31 December 2001 were as follows:

	'B' Ordinary shares of £1 each	
	31 December 2001 No.	31 December 2000 No.
J E Stobbart	378	378
K Mjanger	378	378
I S Robinson	7,000	7,000
A C P Smith	7,000	7,000
D R Lewis	378	378

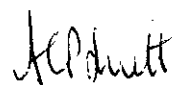
The options are exercisable within 10 years from 26 February 1999 at a price per share of £3.50.

Mr J E Stobbart has an interest in a pension scheme which holds 5,000 'A' ordinary shares of £1 each.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors. A resolution to reappoint Deloitte & Touche as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



A C P Smith

Managing Director

Date... 15.7.2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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; and
- state whether applicable accounting standards have been followed.

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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VECTOR INTERNATIONAL LIMITED

We have audited the financial statements of Vector International Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 27. These financial statements have been prepared under 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and other information contained in the annual report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors

Date 16 July 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	2001 £	2000 £
TURNOVER: continuing operations	3	6,278,753	4,098,367
Cost of sales		(4,163,573)	(2,491,084)
Gross profit		2,115,180	1,607,283
Distribution costs		(1,015,692)	(800,243)
Administrative expenses		(1,154,478)	(782,397)
		(2,170,170)	(1,582,640)
OPERATING (LOSS)/PROFIT: continuing operations	7	(54,990)	24,643
Loss on sale of fixed assets		-	(291)
Interest receivable and similar income	5	624	876
Interest payable and similar charges	6	(45,166)	(30,302)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(99,532)	(5,074)
Tax on loss on ordinary activities	8	32,511	(1,141)
LOSS FOR THE FINANCIAL YEAR		(67,021)	(6,215)
Dividends	9	(8,885)	(8,947)
RETAINED LOSS FOR THE FINANCIAL YEAR	19	(75,906)	(15,162)

There are no recognised gains or losses for the current or prior year other than as stated above. Therefore no separate Statement of Total Recognised Gains and Losses has been presented.

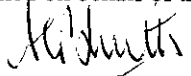
BALANCE SHEET

31 December 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Intangible assets	10	247,515	177,463
Tangible assets	11	673,816	619,446
Investments	12	589	589
		<u>921,920</u>	<u>797,498</u>
CURRENT ASSETS			
Stocks	13	901,866	846,837
Debtors	14	1,845,807	971,501
Cash at bank and in hand		17,072	161,433
		<u>2,764,745</u>	<u>1,979,771</u>
CREDITORS: amounts falling due within one year	15	(1,541,649)	(819,610)
NET CURRENT ASSETS		<u>1,223,096</u>	<u>1,160,161</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,145,016</u>	<u>1,957,659</u>
CREDITORS: amounts falling due after more than one year	16	(357,495)	(53,714)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(73,492)	(114,010)
		<u>1,714,029</u>	<u>1,789,935</u>
CAPITAL AND RESERVES			
Called up share capital	18	371,891	371,891
Profit and loss account	19	1,230,616	1,306,522
Capital redemption reserve	19	103,617	103,617
Share premium reserve	19	7,905	7,905
SHAREHOLDERS' FUNDS	19	<u>1,714,029</u>	<u>1,789,935</u>
SHAREHOLDERS' FUNDS ARE ATTRIBUTABLE TO:			
Equity shareholders' funds		1,558,643	1,634,549
Non-equity shareholders' funds		155,386	155,386
		<u>1,714,029</u>	<u>1,789,935</u>

These financial statements were approved by the Board of Directors on 15.7.02

Signed on behalf of the Board of Directors


 A C P Smith - Managing Director

CASH FLOW STATEMENT
Year ended 31 December 2001

	Note	2001 £	2000 £
Net cash (outflow)/inflow from operating activities	20	(266,327)	153,742
Returns on investments and servicing of finance			
Interest and other investment income received		624	876
Interest paid		(32,218)	(9,404)
Interest paid on finance leases		(12,948)	(20,898)
Net cash outflow from returns on investments and servicing of finance		(44,542)	(29,426)
Taxation			
United Kingdom corporation tax received/(paid)		3,063	(16,851)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(70,724)	(95,518)
Sale of tangible fixed assets		2,000	3,400
Capitalisation of research and development costs		-	(41,135)
Net cash outflow from capital expenditure and financial investment		(68,724)	(133,253)
Acquisitions and disposals			
Acquisition of goodwill		(247,515)	-
Cash acquired with subsidiary		6,034	-
Net cash outflow for acquisitions and disposals		(241,481)	-
Equity dividends paid		(8,885)	(13,630)
Cash outflow before use of liquid resources and financing		(626,896)	(39,418)
Financing			
Redemption of long-term loan		(12,500)	(25,000)
Redemption of medium-term loan		(7,161)	(6,451)
Payment of principal under finance leases		(119,040)	(105,580)
New long-term loan		363,000	-
Redemption of long-term loan		(33,110)	-
Net cash Inflow/(outflow) from financing		191,189	(137,031)
Decrease in cash	21, 22	(435,707)	(176,449)

NOTES TO THE ACCOUNTS
Year ended 31 December 2001**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Consolidated financial statements

The financial statements contain information about Vector International Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 248 of the Companies Act 1985, as a medium group, from the requirements to prepare consolidated financial statements.

Investments

Investments are stated at cost less any provision for impairment.

Tangible fixed assets

Depreciation of tangible fixed assets is calculated on a straight line basis in order to write off the cost of assets over their estimated useful economic lives. The particular rates used are as follows:

Leasehold improvements	-	Term of lease
Plant and machinery	-	10%
Fixtures and fittings	-	20-50%

Goodwill and intangible fixed assets

Capitalised purchased goodwill is included within intangible fixed assets and is amortised over its estimated useful economic life of 15 years. The directors regard 15 years as a reasonable estimate of the useful life of goodwill since it is difficult to make projections exceeding this period.

Leases

Operating lease rentals are charged to the profit and loss account as incurred.

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased asset at the inception of the lease. The excess of the lease payments over the recorded lease obligations is treated as finance charges which are amortised over the lease term to give a constant rate of charge on the remaining balance of the obligation.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is credited to the profit and loss account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Other grants are credited to the profit and loss account when they are received.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first-in first-out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company. The pension cost charge in the profit and loss account represents contributions payable by the company to the fund in respect of the financial year.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred, except where the specific criteria of SSAP 13 are met for capitalisation.

Research and development costs are capitalised when all of the following criteria are met:

- there is a clearly defined project;
- related expenditure is separately identifiable;
- the outcome of the project is technically feasible;
- the project is commercially viable;
- future revenues from the project exceed costs;
- adequate resources exist to enable completion of the project.

Capitalised expenditure is amortised over a period of 10 years from the first full year in which the company is expected to derive benefit.

2. ACQUISITION AND REORGANISATION

On 2 April 2001 the company acquired 100% of the share capital of Fluid Sealing Products (Wales) Limited for £247,515.

On 28 December 2001 the following assets and liabilities of Fluid Sealing Products (Wales) Limited were hived up to the company.

	Book amount £
Tangible fixed assets	39,992
Other current assets	214,187
Current liabilities	(253,922)
	<hr/>
Consideration - credit to inter-company account	257
	<hr/>

The directors believe that the fair value of the assets and liabilities transferred are the same as the book value.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

3. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax loss is attributable to the design and manufacture of high pressure pipe clamp and flange connectors primarily for use in the oil, gas and petrochemical industries.

The analysis of turnover by geographical area is set out below:

	Turnover by destination	
	2001	2000
	£	£
Geographical segment		
United Kingdom	3,160,457	2,324,025
Rest of Europe	848,308	456,901
North America	1,054,022	1,045,364
Australia/Malaysia	100,511	60,264
Middle East	1,115,455	211,813
	<u>6,278,753</u>	<u>4,098,367</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001	2000
	£	£
Directors' emoluments		
Fees	-	3,167
Other emoluments (including pension contributions and benefits in kind)	225,135	207,139
	<u>225,135</u>	<u>210,306</u>
Emoluments of the highest paid director are as follows:	£	£
Aggregate emoluments excluding pension contributions	<u>56,471</u>	<u>53,487</u>
Pension contributions to defined contribution scheme	<u>3,623</u>	<u>3,468</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Employees:	2001	2000
Average number of persons employed by the company during the year:	No.	No.
Production	24	23
Sales and distribution	21	20
Administration	13	10
	<u>58</u>	<u>53</u>
Staff costs incurred during the year in respect of these employees were:	£	£
Wages and salaries	1,403,269	1,139,656
Social security costs	132,606	108,397
Other pension costs	49,094	48,012
	<u>1,584,969</u>	<u>1,296,065</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2001	2000
	£	£
Other interest receivable	<u>624</u>	<u>876</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£	£
On bank overdrafts and other loans		
- repayable within five years, not by instalments	12,468	9,404
- repayable wholly or partly in more than five years	19,749	-
On finance leases and hire purchase contracts	12,949	20,898
	<u>45,166</u>	<u>30,302</u>

7. OPERATING (LOSS)/PROFIT

	2001	2000
	£	£
Operating (loss)/profit is after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
Owned assets	84,885	82,404
Leased assets	76,261	85,260
Profit on sale of fixed assets	(2,000)	-
Amortisation of intangible fixed assets	17,761	-
Rentals under operating leases:		
Hire of plant and machinery	45,540	47,732
Other operating leases	115,350	113,250
Exceptional item – intangible asset impairment provision	159,702	-
Auditors' remuneration	<u>10,500</u>	<u>10,500</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
United Kingdom corporation tax at 20% (2000 – 20%)	11,195	-
Deferred taxation	(40,518)	1,808
Adjustment in respect of prior years	(3,188)	(667)
	<u>(32,511)</u>	<u>1,141</u>

9. DIVIDENDS

	2001 £	2000 £
'A' ordinary		
Interim paid (11p per share) (2000 – 11.08p per share)	8,885	8,947
	<u>8,885</u>	<u>8,947</u>

See note 18 for details of rights to dividends.

10. INTANGIBLE FIXED ASSETS

	Total £	Goodwill £	Research and development £
Cost			
At 1 January 2001	177,463	-	177,463
Additions	247,515	247,515	-
	<u>424,978</u>	<u>247,515</u>	<u>177,463</u>
At 31 December 2001			
Amortisation			
At 1 January 2001	-	-	-
Amortisation charge	(17,761)	-	(17,761)
Impairment	(159,702)	-	(159,702)
	<u>(177,463)</u>	<u>-</u>	<u>(177,463)</u>
At 31 December 2001			
Net book value			
At 31 December 2001	247,515	247,515	-
	<u>247,515</u>	<u>247,515</u>	<u>-</u>
At 31 December 2000	177,463	-	177,463
	<u>177,463</u>	<u>-</u>	<u>177,463</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

11. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 January 2001	43,378	644,413	563,523	1,251,314
Transfer from subsidiary	-	124,303	28,778	153,081
Additions	-	91,695	83,829	175,524
Disposals	-	(531)	(4,479)	(5,010)
At 31 December 2001	43,378	859,880	671,651	1,574,909
Accumulated depreciation				
At 1 January 2001	14,633	294,600	322,635	631,868
Transfer from subsidiary	-	90,645	22,444	113,089
Charge for the year	1,646	68,673	90,827	161,146
Disposals	-	(531)	(4,479)	(5,010)
At 31 December 2001	16,279	453,387	431,427	901,093
Net book value				
At 31 December 2001	27,099	406,493	240,224	673,816
At 31 December 2000	28,745	349,813	240,888	619,446

The net book value of fixed assets includes £258,432 (2000 - £307,736) in respect of assets held under finance leases.

12. INVESTMENTS

Subsidiary undertakings - shares at cost:

	£
Cost	
At 31 December 2001 and at 31 December 2000	589
Provisions	
At 31 December 2001 and at 31 December 2000	-
Net book value	
At 31 December 2001 and at 31 December 2000	589

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

12. INVESTMENTS (continued)

The subsidiary undertakings at 31 December 2001 were:

Company	Country of incorporation/ registration	Nature of business	Proportion of ordinary voting shares held	Net assets at 31 December 2001 £
Techlok Limited	England and Wales	Dormant	100%	2
Vector Employee Trust Limited	England and Wales	Dormant	100%	2
Vector International USA Inc	USA	Dormant	100%	585
Fluid Sealing Products (Wales) Limited	England and Wales	Fluid seals and gaskets	100%	-

13. STOCKS

	2001 £	2000 £
Raw materials and consumables	270,388	350,037
Work in progress	153,607	81,947
Finished goods and goods for resale	477,871	414,853
	<u>901,866</u>	<u>846,837</u>

14. DEBTORS

	2001 £	2000 £
Amounts falling due within one year:		
Trade debtors	1,672,344	788,747
Prepayments and accrued income	62,004	76,388
Other debtors	111,459	106,366
	<u>1,845,807</u>	<u>971,501</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2001 £	2000 £
Long-term loan	39,854	-
Debenture loan	-	12,500
Medium-term loan	5,750	7,161
Obligations under finance leases	60,045	93,780
Trade creditors	980,767	601,762
Bank overdraft	291,346	-
Corporation tax	20,265	-
Income tax payable	-	125
Other taxation and social security	85,228	55,081
Accruals	56,173	46,980
Dividends payable	2,221	2,221
	<u>1,541,649</u>	<u>819,610</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Obligations under finance leases	67,459	47,964
Medium-term loan	-	5,750
Long-term loan	290,036	-
	<u>357,495</u>	<u>53,714</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Finance lease agreements

The net finance lease obligations to which the company is committed are:

	2001 £	2000 £
In one year or less	60,045	93,780
Between one and two years	32,190	39,170
Between two and five years	35,269	8,794
	<u>127,504</u>	<u>141,744</u>

The finance leases are secured against the assets to which they relate.

	2001 £	2000 £
Medium-term loan		
In one year or less	5,750	7,161
Between one and two years	-	5,750
Between two and five years	-	-
	<u>5,750</u>	<u>12,911</u>

The medium-term loan is secured against the assets to which it relates.

Long-term loan

	2001 £	2000 £
In one year or less	39,854	-
Between one and two years	45,659	-
Between two and five years	161,654	-
Due after more than five years	82,723	-
	<u>329,890</u>	<u>-</u>

The loan is secured by a fixed and floating charge over the company's assets.

The long-term loan is to be repaid over seven years, in monthly instalments of £5,785, including both principal and interest. The first repayment was due in April 2001. Interest is charged on this loan at 2.25% above the bank's base rate.

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 January 2001 £	Charged to profit and loss account £	Balance at 31 December 2001 £
Deferred taxation	<u>114,010</u>	<u>(40,518)</u>	<u>73,492</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

17. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	Provided 2001 £'000	Provided 2000 £'000	Not provided 2001 £'000	Not provided 2000 £'000
Capital allowances in excess of depreciation	73,492	114,010	-	-

18. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised		
167,236 ordinary shares of £1 each	167,236	167,236
32,700 'B' ordinary shares of £1 each	32,700	32,700
80,769 participating convertible 'A' ordinary shares of £1 each	80,769	80,769
144,231 22% redeemable cumulative 'A' preference shares of 50p each	72,115	72,115
130,064 deferred shares of £1 each	130,064	130,064
	<u>482,884</u>	<u>482,884</u>
Allotted, called up and fully paid	£	£
135,736 ordinary shares of £1 each	135,736	135,736
25,322 'B' ordinary shares of £1 each	25,322	25,322
80,769 participating convertible 'A' ordinary shares of £1 each	80,769	80,769
130,064 deferred shares of £1 each	130,064	130,064
	<u>371,891</u>	<u>371,891</u>

Redemption and conversion of shares

With the written consent of 75% of the holders of the participating convertible 'A' ordinary shares, the holders of the shares may at any time convert the whole of their shareholding into a like number of ordinary shares.

Rights to dividends

The profits of the company available for distribution are applied as follows:

- first in paying to the holders of the 'A' ordinary shares a fixed cumulative net cash dividend (fixed dividend) of 11 pence per annum;
- second in paying to the holders of the 'A' ordinary shares in respect of each financial year a cumulative net cash dividend (participating dividend) of a sum which when added to the fixed dividend payable in respect of that year is equal to 8 per cent of the adjusted profit of the company;
- third in paying to the holders of the 'A' ordinary shares in respect of each financial year a cumulative preferential net cash dividend on each share of an amount which, when added to the fixed dividend and the participating dividend paid on such shares for the same financial year, shall equal the aggregate of:
 - any ordinary dividend paid in the financial year on all the shares held by relevant directors; and

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

18. CALLED UP SHARE CAPITAL (continued)

- the excess remuneration

divided by the number of directors' shares in issue on the last day of the relevant financial year;

- d) fourth in paying the holders of the ordinary shares and 'B' ordinary shares a net cash dividend, under the conditions in respect of 'A' ordinary share dividends noted above.

Priority and amounts receivable on a winding up

On a return of assets on liquidation or capital reduction or otherwise, the assets of the company remaining after the payment of its liabilities shall be applied as follows:

- a) first in paying to the holders of the 'A' preference shares £1 per share together with any arrears or accruals of dividend;
- b) second in paying to the holders of the 'A' ordinary shares £1 per share together with any arrears or accruals of dividend;
- c) third in paying the holders of the ordinary shares and 'B' ordinary shares £1 per share;
- d) fourth in paying the holders of the deferred shares £1 in aggregate for all such shares; and
- e) the balance of such assets shall be distributed amongst the holders of the 'A' ordinary shares and ordinary shares in proportion to the respective numbers of paid up shares.

Voting

Subject to the restrictions below, on a show of hands every member shall have one vote, and on a poll every member shall have one vote for every £1 in nominal value of shares held.

- a) The holders of the 'A' preference shares shall not be entitled to vote.
- b) The holders of the deferred shares shall not be entitled to vote.

19. RECONCILIATION OF MOVEMENTS ON RESERVES AND MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £	Capital redemption reserve £	Share premium reserve £	Profit and loss account £	Total 2001 £	Total 2000 £
At beginning of year	371,891	103,617	7,905	1,306,522	1,789,935	1,805,097
Retained loss for the financial year	-	-	-	(75,906)	(75,906)	(15,162)
At end of year	<u>371,891</u>	<u>103,617</u>	<u>7,905</u>	<u>1,230,616</u>	<u>1,714,029</u>	<u>1,789,935</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

20. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating (loss)/profit	(54,990)	24,643
Depreciation on tangible fixed assets	161,146	167,664
Amortisation of intangible assets	17,761	-
Profit on sale of fixed assets	(2,000)	-
Provision for impairment on intangible fixed assets	159,702	-
(Increase)/decrease in stocks	(7,195)	67,443
Increase in trade debtors	(723,021)	(54,459)
Decrease/(increase) in prepayments and accrued income	14,384	(2,913)
Increase in other debtors	(5,350)	(16,738)
Increase in trade creditors	133,896	15,736
Increase in other taxation and social security	30,147	3,044
Increase/(decrease) in accruals and other creditors	9,193	(50,678)
Net cash (outflow)/inflow from operating activities	<u>(266,327)</u>	<u>153,742</u>

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £	2000 £
Decrease in cash in the year	(435,707)	(176,449)
Cash to repay loan	52,771	31,451
Cash to repay finance leases	119,040	105,580
New long-term loan	(363,000)	-
Change in net debt resulting from cash flows	<u>(626,896)</u>	<u>(39,418)</u>
New finance leases	<u>(104,800)</u>	<u>(31,541)</u>
Change in net debt	<u>(731,696)</u>	<u>(70,959)</u>
Net debt at 1 January	<u>(5,722)</u>	<u>65,237</u>
Net debt at 31 December	<u>(737,418)</u>	<u>(5,722)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

22. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2001 £	Cash flows £	Other non-cash changes £	At 31 Dec 2001 £
Cash in hand and at bank	161,433	(144,361)	-	17,072
Bank overdraft	-	(291,346)	-	(291,346)
	<u>161,433</u>	<u>(435,707)</u>	<u>-</u>	<u>(274,274)</u>
Debt due within one year	(19,661)	(25,943)	-	(45,604)
Debt due after one year	(5,750)	(284,286)	-	(290,036)
Finance leases	(141,744)	119,040	(104,800)	(127,504)
	<u>(5,722)</u>	<u>(626,896)</u>	<u>(104,800)</u>	<u>(737,418)</u>

23. CONTINGENT LIABILITIES

	2001 £	2000 £
Bank performance guarantees in respect of customer contracts	<u>70,053</u>	<u>69,307</u>

24. OPERATING LEASE COMMITMENTS

The company had annual commitments under non-cancellable operating leases as follows:

	2001		2000	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiring in one year	-	3,848	-	7,245
Expiring between two and five years inclusive	-	31,722	-	30,507
Expiring in over five years	115,350	-	113,250	-
	<u>115,350</u>	<u>35,570</u>	<u>113,250</u>	<u>37,752</u>

25. CAPITAL COMMITMENTS

	2001 £	2000 £
Contracted for but not provided	<u>-</u>	<u>20,488</u>
Authorised but not yet contracted for	<u>101,049</u>	<u>-</u>

26. PENSION AND SIMILAR OBLIGATIONS

The company operates a defined contribution pension scheme which incorporates individual members' personal pension plans. The assets of the scheme are held separately from those of the company. The pension cost charge in the profit and loss account of £49,094 (2000 - £48,012) represents contributions payable by the company to the fund in respect of the financial year.

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Year ended 31 December 2001

27. RELATED PARTY TRANSACTIONS

During the year the company has made sales of £577,407 (2000 - £275,710) to Bergens Rorhandel, a company which owns 17% of the share capital of the company and of which Mr K Mjanger, a director of Vector International Limited, is an employee. At 31 December 2001 £53,602 (2000 - £66,231) was outstanding.

During the year the company has made sales of £3,611 and purchases of £3,294 with Fluid Sealing Products Limited. At 31 December 2001 £nil (2000 - £nil) was outstanding.