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AESSEAL (MCK) LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2003
COMPANY NUMBER NI 17307

AESSEAL (MCK) LIMITED

DIRECTORS

J F McKeever

C J Rea OBE

SECRETARY

H R Roddy

REGISTERED OFFICE

139a Hillsborough Old Road, Lisburn BT27 5QE

AUDITORS

Roddis Taylor Robinson, Chartered Accountants, 275 Glossop Road, Sheffield S10 2HB

BANKERS

Ulster Bank Limited, Markets Branch, PO Box 232, 11-16 Donegall Square East, Belfast BT1 5UB

AESSEAL (MCK) LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2003

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 (Northern Ireland) Order 1986. 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 2003.

ACTIVITIES

The principal activities of the Company are the manufacture and distribution of engineering products to industry.

BUSINESS REVIEW

The Directors consider the results for the year and the position at 31 December 2003 to be satisfactory.

RESULTS FOR THE YEAR

Profit on ordinary activities before taxation amounted to £97377 (2002 £71715) and after taxation £62422 (2002 £50727).

DIVIDENDS

No interim dividend was paid during the year (2002 Nil). The Directors do not recommend payment of a final dividend for the year ended 31 December 2003 (2002 Nil).

CHARITABLE CONTRIBUTIONS

The Company gave £647 for charitable purposes in the year.

TAX STATUS

The Company is a close Company within the meaning of Section 414 Income and Corporation Taxes Act 1988.

AESSEAL (MCK) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS

The members of the Board during the year were:

J F McKeever
C J Rea OBE

AUDITORS

Roddis Taylor Robinson, Chartered Accountants, offer themselves for re-appointment in accordance with Article 392 Companies (Northern Ireland) Order 1986.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'H R Roddy', with a long horizontal stroke extending to the right.

H R Roddy
Secretary
16 July 2004

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AESSEAL (MCK) LIMITED

We have audited the financial statements of Aesseal (MCK) Limited for the year ended 31 December 2003 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.

This report is made solely to the company's members, as a body, in accordance with Section 243 of the Companies (Northern Ireland) Order 1986. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 (Northern Ireland) Order 1986. 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.

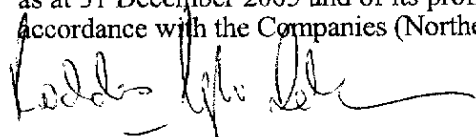
Basis of audit opinion

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.



Roddis Taylor Robinson
Chartered Accountants
Registered Auditors

16 July 2004

AESSEAL (MCK) LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2003**

<u>Notes</u>	<u>2003</u> £	<u>2002</u> £
1	TURNOVER - CONTINUING ACTIVITIES	2024397
	Cost of sales	(1311077)
	GROSS PROFIT	713320
	Other operating income	429
	Distribution costs	(258014)
	Administrative expenses	(347746)
	OPERATING PROFIT - CONTINUING ACTIVITIES	107989
	Other interest receivable and similar income	1001
2	Interest payable and similar charges	(11613)
3	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	97377
4	Tax on profit on ordinary activities	(34955)
	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	62422
	Dividends	-
12	TRANSFER TO RESERVES	62422

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**FOR THE YEAR ENDED 31 DECEMBER 2003**

The Company had no recognised gains or losses other than the profit for the year of £62422 (2002 £50727).

AESSEAL (MCK) LIMITED

BALANCE SHEET AT 31 DECEMBER 2003

<u>Notes</u>		<u>2003</u> £	<u>2002</u> £
	FIXED ASSETS		
5	Tangible assets	96026	118551
	CURRENT ASSETS		
6	Stocks	241191	212829
7	Debtors	441921	450909
	Cash at bank and in hand	70359	19216
		753471	682954
8	CREDITORS (amounts due within one year)	(311438)	(319505)
	NET CURRENT ASSETS	442033	363449
	TOTAL ASSETS LESS CURRENT LIABILITIES	538059	482000
9	CREDITORS (amounts due after one year)	(5944)	(12307)
		532115	469693
	CAPITAL AND RESERVES		
11	Called up share capital	16000	16000
12	Profit and loss account	516115	453693
13	SHAREHOLDERS' FUNDS	532115	469693

Signed on behalf of the Board

.....
J F McKeever - Director

AESSEAL (MCK) LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2003

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 amount 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:

Short leasehold property	Equal instalments over the period of the lease
Plant and equipment	25% reducing balance
Motor vehicles	25% to 33 ¹ / ₃ % straight line

d) STOCKS

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.

e) DEFERRED TAXATION

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.

AESSEAL (MCK) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2003

1. ACCOUNTING POLICIES (CONTINUED)

f) OPERATING CONTRIBUTIONS

Operating contributions that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life.

Other operating contributions are credited to the profit and loss account when receivable.

g) 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.

h) FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into sterling using the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currency have been translated into sterling at the closing rates. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.

i) LEASING

Assets acquired under hire purchase contracts or finance leases 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. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>2003</u>	<u>2002</u>
	£	£
Finance charges - hire purchase obligations and finance leases	2212	2023
Bank interest	40	220
Interest payable to Parent undertaking	9361	6700
	<u>11613</u>	<u>8943</u>

AESSEAL (MCK) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2003

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>2003</u>	<u>2002</u>
	£	£
After charging:		
Directors' emoluments (note 16)	89032	85510
Depreciation - owned assets	26573	34560
Depreciation - assets held under finance leases and hire purchase contracts	15411	13747
Auditors' remuneration including expenses	3528	3642
Operating leases - property	44942	32272
Foreign currency exchange losses (net)	7081	1006
Loss on disposal of fixed assets	842	-
	<hr/>	<hr/>
After crediting:		
Operating contributions	429	14569
Profit on disposal of fixed assets	-	6116
	<hr/>	<hr/>

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge:

The tax charge on the profit on ordinary activities for the year was as follows:

	<u>2003</u>	<u>2002</u>
	£	£
Current tax:		
UK corporation tax	35772	20988
Adjustment re prior years	(817)	-
	<hr/>	<hr/>
	34955	20988
	<hr/>	<hr/>

Factors affecting the tax charge:

The tax charged on the profit for the year is higher (2002 lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	<u>2003</u>	<u>2002</u>
	£	£
Profit on ordinary activities before tax	97377	71715
	<hr/>	<hr/>

AESSEAL (MCK) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2003

4. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	<u>2003</u>	<u>2002</u>
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 30%)	29213	21515
Effects of:		
Expenses not deductible for tax purposes	2000	2169
Depreciation in excess of capital allowances for the period	2446	(697)
Origination and reversal of timing differences	2113	(1999)
Adjustment to tax charge in respect of previous period	(817)	-
	<u>34955</u>	<u>20988</u>

5. TANGIBLE FIXED ASSETS

	Short Leasehold Property <u>Adaptations</u> £	Plant and <u>Equipment</u> £	Motor <u>Vehicles</u> £	<u>Total</u> £
Cost:				
At 1 January 2003	16673	94338	112053	223064
Additions	-	3887	17619	21506
Disposals	-	(14224)	(14055)	(28279)
At 31 December 2003	<u>16673</u>	<u>84001</u>	<u>115617</u>	<u>216291</u>
Depreciation:				
At 1 January 2003	1250	48932	54331	104513
Provision for the year	1668	12592	27724	41984
Disposals	-	(14225)	(12007)	(26232)
At 31 December 2003	<u>2918</u>	<u>47299</u>	<u>70048</u>	<u>120265</u>
Net book value:				
At 31 December 2003	<u>13755</u>	<u>36702</u>	<u>45569</u>	<u>96026</u>
At 31 December 2002	<u>15423</u>	<u>45406</u>	<u>57722</u>	<u>118551</u>

The net book value of tangible fixed assets includes an amount of £37673 (2002 £40860) in respect of assets held under hire purchase contracts or finance leases.

AESSEAL (MCK) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2003

6. STOCKS

	<u>2003</u> £	<u>2002</u> £
Finished goods and goods for resale	241191	212829

7. DEBTORS

	<u>2003</u> £	<u>2002</u> £
Trade debtors	206137	230232
Amounts due from Group undertakings	186659	181539
Other debtors	39142	28474
Prepayments and accrued income	9983	10664
	<u>441921</u>	<u>450909</u>

8. CREDITORS (AMOUNTS DUE WITHIN ONE YEAR)

	<u>2003</u> £	<u>2002</u> £
Obligations under finance leases and hire purchase contracts	17685	17007
Trade creditors	84470	68524
Amounts owed to Group undertakings	109373	127867
Corporation tax payable	18897	2417
Other taxes and social security	9936	7227
Accruals and deferred income	71077	96463
	<u>311438</u>	<u>319505</u>

9. CREDITORS (AMOUNTS DUE AFTER ONE YEAR)

	<u>2003</u> £	<u>2002</u> £
Obligations under finance leases and hire purchase contracts	5944	12307

AESSEAL (MCK) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2003

10. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	<u>2003</u> £	<u>2002</u> £
Obligations under finance leases and hire purchase contracts	23629	29314
Due within one year (included in current liabilities)	(17685)	(17007)
	<hr/>	<hr/>
Repayable between two and five years	5944	12307
	<hr/>	<hr/>

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

11. CALLED UP SHARE CAPITAL

	<u>2003</u> £	<u>2002</u> £
Allotted and fully paid:		
16000 ordinary shares of £1 each	16000	16000
	<hr/>	<hr/>
Authorised:		
50000 ordinary shares of £1 each	50000	50000
	<hr/>	<hr/>

12. RESERVES

	<u>Profit and Loss Account</u> £
At 1 January 2003	453693
Retained profit for the year	62422
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At 31 December 2003	516115
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13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2003</u> £	<u>2002</u> £
Equity interests:		
Profit for the year	62422	50727
Opening shareholders' funds	469693	418966
	<hr/>	<hr/>
Closing shareholders' funds	532115	469693
	<hr/>	<hr/>

AESSEAL (MCK) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2003

14. CAPITAL COMMITMENTS

Commitments for capital expenditure at the end of the year were as follows:

	<u>2003</u> £	<u>2002</u> £
Authorised and contracted for	-	17619

15. LEASING COMMITMENTS

At 31 December 2003 the Company had annual commitments under non-cancellable operating leases as detailed below:-

	<u>2003</u> £	<u>2002</u> £
Land and buildings		
Operating leases which expire:		
Within two to five years	2491	2186
After five years	42000	42000

16. INFORMATION REGARDING DIRECTORS

Share interests:

The Directors of the Company at 31 December 2003 were as follows:

J F McKeever
C J Rea

None of the directors had interests in the shares of the company at that date or at 31 December 2002.

Directors' interests in Parent undertaking:

The interest of C J Rea, who is a Director of the Parent Company, in the shares of AES Engineering Limited are shown in that Company's accounts. J F McKeever has the following interest in the Parent undertaking:

	<u>2003</u>	<u>2002</u>
Ordinary shares of £1 each	6874	6874

AESSEAL (MCK) LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2003****16. INFORMATION REGARDING DIRECTORS (CONTINUED)**

Remuneration:

	<u>2003</u>	<u>2002</u>
	£	£
Directors emoluments amounted to:		
Emoluments including benefits in kind	77913	74391
Money purchase pension scheme contributions	11119	11119
	<u>89032</u>	<u>85510</u>

There is one director who is a member of a money purchase pension scheme (2002 one).

Financial transactions:

During the year the Company traded with Subsidiaries of AES Engineering Limited, a Company in which C J Rea and J F McKeever have an interest. All the transactions were carried out on a normal commercial basis.

17. PARTICULARS OF EMPLOYEES

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

Category:	<u>2003</u>	<u>2002</u>
Directors	2	2
Workshop	6	5
Sales	5	6
Administration	4	5
	<u>17</u>	<u>18</u>
Their total remuneration was:	<u>2003</u>	<u>2002</u>
	£	£
Wages and salaries	376339	377294
Social security costs	41639	24898
Pension costs	12671	11694
	<u>430649</u>	<u>413886</u>

AESSEAL (MCK) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2003

18. 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 costs charge in respect of the year and amounted to £12671 (2002 £11694). There were no outstanding contributions to the schemes at the year end (2002 nil).

19. 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.

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.

20. PARENT UNDERTAKING AND ULTIMATE HOLDING COMPANY

AES Engineering Limited, a Company registered in England and Wales, 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.

21. COMMITMENTS ON BEHALF OF GROUP COMPANIES

Along with the other Group undertakings based in Great Britain, 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.

22. APPROVAL OF ACCOUNTS

These accounts were approved at a Directors' meeting held on 16 July 2004.