DIRECTORS' REPORT AND ACCOUNTS

VECTOR ENGINEERING PRODUCTS LIMITED
(Registered Number 994043)

31 December 1999

VECTOR ENGINEERING PRODUCTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999

The directors present their annual report together with the audited accounts for the year ended 31 December 1999.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity is that of a holding company. The company's principal subsidiary undertakings are shown in note 6 to the accounts.

During the year the company disposed of its investments in Parker Merchanting Limited and Stedall (Vehicle Fittings) Limited and acquired and disposed of the investment in Lewmar Marine Limited for a combined loss of £709,000.

Subsequent to the year end a further one of the company's principal subsidiary undertakings was disposed of at an amount in excess of its book value.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £486,000 (1998: £3,016,000). During the year a dividend of £Nil (1998: £6,694,000) was paid and the directors propose a final dividend of £Nil (1998: £53,000,000). Accordingly, the retained loss for the year of £486,000 (1998: £62,710,000) is deducted from reserves.

DIRECTORS AND DIRECTORS' INTERESTS

The composition of the Board of Directors during the year, and to the date of this report, was as follows:

AO Fischer
I Fisher
AT Fletcher
SA Smith

None of the directors held any beneficial interests in the share capital of the company during the year.

All directors are also directors of the ultimate parent undertaking, Vector Industries Limited, and their interests in the share capital of that company are shown in the accounts of Vector Industries Limited.

VECTOR ENGINEERING PRODUCTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

DIRECTORS' RESPONSIBILITY STATEMENT

The Companies Act 1985 requires the directors to prepare accounts for each financial year in accordance with applicable United Kingdom accounting standards 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 the financial 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 do so.

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 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

In accordance with Section 385 of the Companies Act 1985, the company has passed an elective resolution to dispense with the obligation to appoint auditors annually.

By Order of the Board

SA SMITH
DIRECTOR

12 April 2000

Registered Office:

2B Sidings Court
Doncaster
DN4 5NU

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AUDITORS' REPORT TO THE MEMBERS OF VECTOR ENGINEERING PRODUCTS LIMITED

We have audited the accounts on pages 4 to 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the accounts, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chartered Accountants
and Registered Auditors

12 April 2000

VECTOR ENGINEERING PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	£'000	1998 £'000
Operating income		-	14
OPERATING PROFIT		-	(14)
Write-back of provision against investment in subsidiary		223	-
Write-down of investment in subsidiary undertaking		-	(6,339)
Loss on disposal of subsidiary investments	4	(709)	(5,792)
Income from shares in subsidiary undertakings		-	9,100
Interest received on tax refund		-	5
Interest received from money on deposit		-	4
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(486)	(3,008)
Taxation on profit on ordinary activities		-	(8)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(486)	(3,016)
Dividends	5	-	(59,694)
RETAINED LOSS FOR THE FINANCIAL YEAR	10	(486)	(62,710)

The company has no recognised gains or losses other than those shown in the profit and loss account.

VECTOR ENGINEERING PRODUCTS LIMITED

BALANCE SHEET - 31 DECEMBER 1999

	Notes	£'000	1998 £'000
FIXED ASSETS			
Investments	6	107	41,821
CURRENT ASSETS			
Debtors (amounts falling due after one year)	7	292,417	268,402
		292,417	268,402
CREDITORS (amounts falling due within one year)	8	(35,944)	(53,157)
NET CURRENT ASSETS		256,473	215,245
TOTAL ASSETS LESS CURRENT LIABILITIES		256,580	257,066
CAPITAL AND RESERVES			
Called up share capital	9	28,000	28,000
Profit and loss account	10	228,580	229,066
SHAREHOLDERS' FUNDS	11	256,580	257,066

SA Smith
DIRECTOR

APPROVED BY THE BOARD
ON 12 April 2000

VECTOR ENGINEERING PRODUCTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999

1 PRINCIPAL ACCOUNTING POLICIES

(1) Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(2) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provisions to reduce the carrying value of an investment to its estimated recoverable amount where in the opinion of the directors there has been an impairment.

2 DIRECTORS' EMOLUMENTS

Directors' emoluments amounted to £Nil (1998: £Nil)

3 AUDITORS' REMUNERATION

Auditors' remuneration has been borne by a fellow group company.

4 LOSS ON DISPOSAL OF SUBSIDIARY INVESTMENTS

In 1999 the company disposed of its investment in Parker Merchanting Limited and Stedall (Vehicle Fittings) Limited and acquired and disposed of an investment in Lewmar Marine Limited for a combined loss of £709,000.

In 1998 the company disposed of its interest in Grada international Holdings NV, Attewell Limited, Pillar Seals and Gaskets Limited, MBS Distribution Limited, Peak Automotive Limited, Vector Engineering and Distribution Limited and acquired and disposed of the investment in Darfen Limited, Lionweld Kennedy Limited, Bramley & Wellesley Limited and H+S Aviation Limited for a combined loss of £5,792,000.

5 DIVIDENDS

	1999	1998
	£'000	£'000
Dividends - paid	-	6,694
- proposed	-	53,000
	-	59,694

VECTOR ENGINEERING PRODUCTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

6 INVESTMENTS

	Gross investment £'000	Provision £'000	Net investments £'000	Loans £'000	Total £'000
At 1 January 1999	137,687	(6,281)	131,406	(89,585)	41,821
Additions	77,817	-	77,817	(41,828)	35,989
Disposals	(77,926)	-	(77,926)	-	(77,926)
Provision write-back	-	223	223	-	223
At 31 December 1999	137,578	(6,058)	131,520	(131,413)	107

During 1999 the company disposed of its investments in Parker Merchanting Limited and Stedall (Vehicle Fittings) Limited and acquired and disposed of the investment in Lewmar Marine Limited for a combined loss of £709,000.

During 1998 the company disposed of its investments in Grada international Holdings NV, Attewell Limited, Pillar Seals and Gaskets Limited, MBS Distribution Limited, Peak Automotive Limited, Vector Engineering and Distribution Limited and acquired and disposed of the investment in Darfen Limited, Lionweld Kennedy Limited, Bramley & Wellesley Limited and H&S Aviation Limited for a combined loss of £5,792,000. The company also disposed of 21.4% of its interest in John Lee (Sacks) Limited at a nil gain or loss.

Principal trading subsidiary undertakings, which are held via intermediate subsidiary undertakings, are as follows:

Name	Country of incorporation	Proportion of voting rights held %
Air Diffusion Limited*	England	100
John Lee (Sacks) Limited	England	78.6
Pneumatic Components Limited	England	100
Pressweld Limited	England	100

Subsequent to the year end Air Diffusion Limited was disposed of for an amount in excess of its book value.

In the opinion of the directors the aggregate value of the company's investment in its subsidiary undertakings is not less than the aggregate amount at which they are stated in the balance sheet.

VECTOR ENGINEERING PRODUCTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

7 DEBTORS (amounts falling due after one year)

	1999 £'000	1998 £'000
Amounts owed by ultimate parent undertaking	139,338	62,423
Amounts owed by parent undertaking	153,079	205,979
	292,417	268,402

8 CREDITORS (amounts falling due within one year)

	1999 £'000	1998 £'000
Amounts owed to group companies	35,944	-
Proposed dividend	-	53,000
Corporation tax	-	7
Other creditors	-	150
	35,944	53,157

9 CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised:		
28,000,000 ordinary shares of £1 each	28,000	28,000
Allotted, called up and fully paid:		
28,000,000 ordinary shares of £1 each	28,000	28,000

NOTES TO THE ACCOUNTS - 31 DECEMBER 1999 (CONTINUED)

10 PROFIT AND LOSS ACCOUNT

	£'000
Balance at 1 January 1999	229,066
Retained loss for the financial year	(486)
Balance at 31 December 1999	228,580

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Loss on ordinary activities after taxation	(486)	(3,016)
Dividends	-	(59,694)
Net reduction in shareholders' funds	(486)	(62,710)
Opening shareholders' funds	257,066	319,776
Closing shareholders' funds	256,580	257,066

12 CASHFLOW STATEMENT

The company is exempt from preparing a cash flow statement as required by FRS1 (Revised) 1996 as it is a wholly owned subsidiary undertaking within the context of the standard. A consolidated group cash flow statement is included in the financial statements of Vector Industries Limited, the ultimate parent undertaking.

13 CONTINGENT LIABILITIES

The company has entered into an unlimited cross guarantee arrangement in respect of the borrowings of all companies in the Vector Industries Limited group. At 31 December 1999 the net borrowings of the group amounted to £Nil (1998: £9 million).

The bank holds a debenture in respect of the company incorporating a fixed and floating charge over all assets.

14 ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Vector Industries Limited, a company registered in England and Wales, and thus under Section 228 of the Companies Act 1985 is exempt from producing group accounts.

The ultimate parent undertaking and controlling party is Vector Industries Limited, a company registered in England and Wales. The Vector Industries group is both the smallest and the largest group into which the company's accounts are consolidated. Copies of the group accounts for the ultimate parent undertaking may be obtained from the following address:

The Secretary
Vector Industries Limited
2B Sidings Court
Doncaster
South Yorkshire
DN4 5NU

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under FRS8 "Related Party Disclosures", as the consolidated accounts of Vector Industries Limited in which the company is included are available at the address noted above.