DIRECTORS' REPORT AND ACCOUNTS

VECTOR ENGINEERING PRODUCTS LIMITED
(Registered Number 994043)

31 December 2000

VECTOR ENGINEERING PRODUCTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2000

The directors present their annual report and the audited accounts for the year ended 31 December 2000.

PRINCIPAL ACTIVITY

The principal activity is that of a holding company. The company's principal subsidiary undertakings are shown in note 7 to the accounts.

During the year the company disposed of Air Diffusion Limited and suffered a loss in relation to a prior year disposal.

RESULTS AND DIVIDEND

The profit for the year after taxation amounted to £2,752,000 (1999: loss £486,000). The directors propose a final dividend of £3,924,000 (1999: £Nil) and accordingly the retained loss for the year of £1,172,000 (1999: £486,000) is deducted from reserves.

DIRECTORS AND THEIR 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 2000 (CONTINUED)

DIRECTORS' RESPONSIBILITY STATEMENT

Company law requires the directors to prepare accounts for each financial year that 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 year. The directors are required to prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the accounts for the year ended 31 December 2000 and that applicable United Kingdom 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 accounts comply with the United Kingdom 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.

Approved by the Board

SA SMITH
Director

7 September 2001

Registered Office:

2B Sidings Court
Doncaster
DN4 5NU

PRICEWATERHOUSECOOPERS

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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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chartered Accountants
and Registered Auditors

7 September 2001

VECTOR ENGINEERING PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes		1999
		£'000	£'000
Write-back of provision against investment in subsidiary		2,835	223
Profit/(loss) on disposal of subsidiary investments	4	16	(709)
Loss on disposal of subsidiary investment in prior year		(175)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2,676	(486)
Taxation on profit/(loss) on ordinary activities	5	76	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		2,752	(486)
Dividend	6	(3,924)	-
RETAINED LOSS FOR THE FINANCIAL YEAR	12	(1,172)	(486)

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 2000

	Notes	£'000	1999 £'000
FIXED ASSETS			
Investments	7	134,355	131,520
CURRENT ASSETS			
Debtors (amounts falling due after one year)	8	295,228	292,417
CREDITORS (amounts falling due within one year)	9	(39,868)	(35,944)
NET CURRENT ASSETS		255,360	256,473
TOTAL ASSETS LESS CURRENT LIABILITIES		389,715	387,993
CREDITORS (amounts falling due after one year)	10	(134,307)	(131,413)
NET ASSETS		255,408	256,580
CAPITAL AND RESERVES			
Called up share capital	11	28,000	28,000
Profit and loss account	12	227,408	228,580
SHAREHOLDERS' FUNDS	13	255,408	256,580

SA SMITH

Director

Approved by the Board on 7 September 2001

VECTOR ENGINEERING PRODUCTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000

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**

None of the directors received any emoluments in respect of their services to the company (1999: £Nil). There were no employees other than the directors.

3 **AUDITORS' REMUNERATION**

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

4 **PROFIT/(LOSS) ON DISPOSAL OF SUBSIDIARY INVESTMENTS**

During the year the company acquired and disposed of its interest in Air Diffusion Limited for a profit of £16,000.

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.

5 **TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	2000	1999
	£'000	£'000
Taxation based upon the profit/(loss) for the year:		
Corporation tax at 30% (1999: 30.25%)	76	-

VECTOR ENGINEERING PRODUCTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

6 DIVIDENDS

	2000	1999
	£'000	£'000
Final dividend proposed: 14p (1999: £Nil) per £1 share	3,924	-
	3,924	-

7 INVESTMENTS

	Gross investment	Provision	Total
	£'000	£'000	£'000
At 1 January 2000	137,578	(6,058)	131,520
Additions	2,762	-	2,762
Disposals	(2,762)	-	(2,762)
Provision write-back	-	2,835	2,835
At 31 December 2000	137,578	(3,223)	134,355

During the year the company acquired and disposed of its interest in Air Diffusion Limited for a profit of £16,000.

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.

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

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

VECTOR ENGINEERING PRODUCTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

8 DEBTORS

	2000	1999
	£'000	£'000
Amounts owed by ultimate parent undertaking	142,017	139,338
Amounts owed by parent undertaking	153,211	153,079
	295,228	292,417

9 CREDITORS (amounts falling due within one year)

	2000	1999
	£'000	£'000
Amounts owed to group undertakings	35,944	35,944
Proposed dividend	3,924	-
	39,868	35,944

The amounts owed to group undertakings are unsecured, interest free and have no fixed repayment dates.

10 CREDITORS (amounts falling due after one year)

	2000	1999
	£'000	£'000
Amounts owed to group undertakings	134,307	131,413

The amounts owed to group undertakings are unsecured, interest free and have no fixed repayment dates.

11 CALLED UP SHARE CAPITAL

	2000	1999
	£'000	£'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

VECTOR ENGINEERING PRODUCTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

12 PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 2000	228,580
Retained loss for the financial year	(1,172)
At 31 December 2000	227,408

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£'000	£'000
Profit/(loss) on ordinary activities after taxation	2,752	(486)
Dividend	(3,924)	-
Net reduction in shareholders' funds	(1,172)	(486)
Opening shareholders' funds	256,580	257,066
Closing shareholders' funds	255,408	256,580

14 CASH FLOW STATEMENT

The company is exempt from preparing a cash flow statement as required by FRS 1 (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 accounts of Vector Industries Limited, the ultimate parent undertaking.

15 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 2000 the net borrowings of the group amounted to approximately £89 million (1998: £Nil).

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

VECTOR ENGINEERING PRODUCTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2000 (CONTINUED)

16 ULTIMATE PARENT UNDERTAKING AND RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Vector Engineering 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 FRS 8 "Related Party Disclosures", as the consolidated accounts of Vector Industries Limited in which the company is included are available at the address noted above.

On 17 January 2001 Helix Industries Limited, a company registered in England and Wales, became the ultimate parent undertaking and controlling party.