

Registered Number: 248695

Sterling Fluid Systems Limited
Annual report
For the year ended 30 November 1999



Sterling Fluid Systems Limited

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Directors' report for the year ended 30 November 1999

The Directors submit their report and the financial statements of the Company for the year ended 30 November 1999.

Principal Activities

The Company is involved in the manufacture, design and supply of pumps and fluid handling systems.

Trading Review and Dividends

The Directors are satisfied with the results for the year, the financial position of the Company and its prospects for the future. The Directors do not recommend the payment of a dividend and accordingly the loss after taxation of £834,000 (1998: loss £253,000) will be transferred to reserves.

Year 2000 and Euro

The company has experienced little disruption or malfunctions since the turn of the year arising from its own computer systems or equipment with embedded date-reliant computer chips.

The lack of disruption from the company's own systems and equipment is attributed to

- (i) the analysis of risks carried out to determine the impact of the year 2000 problems on our activities; and
- (ii) the consequential modifications to, or replacement of, hardware and software harbouring the faulty date-reliant software or computer chips.

The total cost to complete modifications to our computer hardware and software is not considered material.

The company experienced minimal accounting and currency issues arising from the introduction of EMU. The costs associated with the introduction of the Euro are immaterial and have been expensed as incurred.

Employment of Disabled Persons

The Company gives full and fair consideration to applications for employment from disabled persons. Within the limitation of their aptitudes and abilities, disabled persons are given the same training, career development and promotion as are available to all Company employees. If an employee becomes disabled the Company endeavours to continue his or her employment in the same or similar capacity.

Employee Involvement

It is the Company policy to inform and consult employees concerning the performance and future prospects of the Company by regular meetings with staff consultancy committees.

Directors And Their Interests

The Directors who held office during the year were:

C D Johnson
P B O'Kelly
O Shevlin
P Garner
G G Terry
A Lukes
D A Carter
M J Partridge

Appointed 27 September 1999

No Director had any interest required to be disclosed under Schedule 7 of the Companies Act 1985 during the year ended 30 November 1999 apart from P B O'Kelly who holds 1 share.

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:

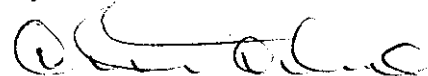
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 which enable them to ensure that the financial statements 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

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board



C D Johnson
Secretary

26 MAY 2000

**Auditors' report to the members of
Sterling Fluid Systems Limited**

We have audited the financial statements on pages 4 to 13.

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 financial statements, 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 financial statements 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 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 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 financial statements.

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 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 at 30 November 1999 and of its losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

26 / 5 / 2000

Profit and loss account for the year ended 30 November 1999

	Note	1999 £'000	1998 £'000
Turnover	2	36,196	39,760
Cost of sales		(26,857)	(30,882)
Gross profit		9,339	8,878
Distribution costs		(5,376)	(5,021)
Administrative expenses		(2,991)	(3,049)
Other operating charges		(1,370)	(636)
Operating (loss)/profit	3	(398)	172
Interest receivable		4	15
Interest payable	4	(542)	(633)
(Loss)/profit on ordinary activities before taxation		(936)	(446)
Tax on (loss)/profit on ordinary activities	7	102	193
(Loss)/profit for the year	16	(834)	(253)

The results for the years above are derived entirely from continuing operations.

The company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the years stated above, and their historical cost equivalents.

Balance sheet as at 30 November 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Intangible assets	8	-	7
Tangible assets	9	7,077	7,728
		7,077	7,735
Current assets			
Stock	10	4,537	4,565
Debtors	11	8,907	11,261
Cash at bank and in hand		1,127	37
		14,571	15,863
Creditors – amounts falling due within one year	12	(11,340)	(12,306)
Net current assets		3,231	3,557
Total assets less current liabilities		10,308	11,292
Creditors – amounts falling due after more than one year	13	(6,000)	(6,000)
Provisions for liabilities and charges	14	(450)	(600)
Net assets		3,858	4,692
Capital and reserves			
Called up share capital	15	30	30
Profit and loss account	16	3,828	4,662
Total equity shareholders' funds	16	3,858	4,692

The financial statements on pages 4 to 13 were approved by the board of directors on **26 MAY 2000**
and were signed on its behalf by:



CD Johnson
Director

Notes to the financial statements for the year ended 30 November 1999

1 Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards. The principal accounting policies which the directors have adopted are as follows:

Turnover

Turnover represents amounts invoiced to customers (excluding value added tax) for goods supplied.

Intangible assets

Intangible assets are amortised over their useful economic life as follows:

Patents and copyrights	-	10 years
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Fixed assets and depreciation

Fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided on all fixed assets other than freehold land in equal annual amounts calculated so as to write off the cost of each asset over its estimated useful life as follows:

Freehold buildings	-	2% to 3%
Short leasehold buildings	-	4%
Plant and machinery	-	5% to 12½%
Tooling and patterns	-	16 2/3 % to 33 1/3 %
Motor vehicles	-	25%

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease period.

Stock and work in progress

Stock and work in progress are stated at the lower of cost, which includes factory overheads, and estimated net realisable value.

Foreign currencies

Assets and liabilities denominated in foreign currencies for which forward exchange contracts are held are translated at the rate of the forward contract.

Other assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions denominated in foreign currencies entered into during the year are translated at the rate ruling at the date of the transaction.

All differences in exchange arising from translation of foreign currencies are taken to the profit and loss account.

Deferred taxation

Deferred tax is provided in respect of timing differences only where, in the opinion of the directors, such timing differences are expected to reverse in the foreseeable future.

Pensions

The employees of the Company are eligible to be members of the Sterling Fluid Systems Limited Pension Scheme. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employee's estimated working lives.

Cash flow statement

Sterling Fluid Systems BV, an intermediate parent company, publishes a consolidated cash flow statement which includes the cash flows of the Company. The Company has therefore taken advantage of the exemption granted by Financial Reporting Standard 1 to not present a cash flow statement.

2 Turnover

The total turnover of the company has been derived from its principal activity for which a geographical analysis is given below:

	1999 £'000	1998 £'000
United Kingdom	19,287	22,649
Other Western Europe	4,574	4,604
North America	3,038	3,225
South America	17	12
South East Asia and Australasia	1,913	2,398
Middle East	6,679	6,147
Eastern Europe	25	104
Near East	271	285
Africa	392	336
	36,196	39,760

3 Operating (loss)/profit

Operating (loss)/profit is stated after (crediting)/charging:

	1999 £'000	1998 £'000
Loss on disposal of fixed assets	5	-
Depreciation – tangible fixed assets	1,178	1,093
Operating lease rentals - plant and machinery	470	472
- other	851	743
Amortisation of intangible fixed assets	7	21
Auditors' remuneration - audit	17	17
- other services	24	35

4 Interest payable

	1999	1998
	£'000	£'000
Loan from parent company	506	619
Bank loans and overdrafts	36	14
	542	633

5 Directors' emoluments

	1999	1998
	£'000	£'000
Aggregate emoluments	350	313

Retirement benefits are accruing to five (1998: five) directors under a defined benefit pension scheme.

The above includes a charge for two directors who are also directors of the immediate parent company. Their emoluments for services to all companies in the Group are paid by that company. The amount shown above includes £111,000 (1998: £115,000) based on the directors' best estimate of the proportion of their time attributable to the Company.

The emoluments of the highest paid director were as follows:

	1999	1998
	£'000	£'000
Aggregate emoluments	70	65
Accrued annual pension benefit at end of year	18	17

6 Employees

Staff costs were as follows:

	1999	1998
	£'000	£'000
Wages and salaries	8,527	8,776
Social security costs	672	730
Other pension costs	627	625
	9,826	10,131

The average number of employees during the year was 426 (1998: 469) split as follows:

	1999 Number	1998 Number
Manufacturing	263	336
Sales and distribution	123	95
Administration	40	38
	426	469

7 Tax on (loss)/profit on ordinary activities

	1999 £'000	1998 £'000
Taxation on the (loss)/profit for the year		
UK corporation tax at 30% (1998: 31%)	-	(141)
Deferred taxation	(150)	-
Adjustment for (over)/under provision in prior year	48	(52)
	(102)	(193)

8 Intangible assets

	Copyrights and Patents	
	1999 £'000	1998 £'000
At 1 December 1998	7	28
Amortisation	(7)	(21)
At 30 November 1999	-	7

9 Tangible fixed assets

	Freehold Land and Buildings	Short Leasehold	Plant Machinery & Equipment	Motor Vehicles	Tooling & Patterns	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 December 1998	4,106	362	10,406	223	1,396	16,493
Additions	35	4	418	101	195	753
Disposals	-	-	(436)	(62)	-	(498)
At 30 November 1999	4,141	366	10,388	262	1,591	16,748
Depreciation						
At 1 December 1998	725	101	6,697	103	1,139	8,765
Charge for the period	79	28	936	57	78	1,178
Disposals	-	-	(220)	(52)	-	(272)
At 30 November 1999	804	129	7,413	108	1,217	9,671
Net book amount						
At 30 November 1999	3,337	237	2,975	154	374	7,077
At 30 November 1998	3,381	261	3,709	120	256	7,728

10 Stock

	1999 £'000	1998 £'000
Raw materials and consumables	3,172	3,533
Work in progress	1,365	1,032
	4,537	4,565

11 Debtors

	1999 £'000	1998 £'000
UK corporation tax recoverable	46	91
Trade debtors	8,280	10,568
Amounts owed by group undertakings	315	359
Prepayments and accrued income	247	222
Other debtors	19	21
	8,907	11,261

12 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Trade creditors	5,473	6,177
Amounts owed to group undertakings	3,648	3,739
Other taxation and social security	537	613
Accruals and deferred income	1,682	1,777
	11,340	12,306

13 Creditors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Amounts owed to immediate parent company	6,000	6,000

The immediate parent undertaking has indicated that it will not demand repayment of its interest bearing long term loan in the next twelve months.

14 Provisions for liabilities and charges

Deferred taxation, which is fully provided, comprises:

	1999 £'000	1998 £'000
Accelerated capital allowances	450	600

The movement in deferred taxation during the year was as follows:

	Deferred tax Provision 1999 £'000
At 1 December 1998	600
Released to profit and loss account	(150)
At 30 November 1999	450

15 Called up share capital

	1999 £'000	1998 £'000
Authorised, allotted, called up and fully paid 30,000 ordinary shares of £1 each	30	30

16 Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Profit & loss account £'000	1999 Total £'000	1998 Total £'000
Balance brought forward	30	4,662	4,692	4,945
(Loss)/profit for the financial year	-	(834)	(834)	(253)
Balance carried forward	30	3,828	3,858	4,692

17 Pension commitments

The Company participates in the Sterling Fluid Systems Limited defined benefit pension scheme (the "SFS scheme") and SIHI defined benefit pension scheme (the "SIHI scheme") for employees in the UK providing benefits based on final pensionable pay. The assets are held separately from those of the Group in separate trustee administered funds. Pension costs are assessed on the advice of independent qualified actuaries. Actuarial valuations are prepared at least triennially, using the attained age method.

The latest valuation of the SFS scheme was carried out at 6 April 1997. The main assumption is a rate of return on investment of 1½% greater than the rate of increase in salaries. The contribution rate of the Company remains at 10.3% (employee 5%). At 6 April 1997 the SFS scheme assets represented 130% of accrued benefits to members after allowing for expected future increases in earnings.

The assets and the liabilities of the SIHI scheme are now included in the SFS scheme. At 1 December 1995 the SIHI scheme assets represented 116% of accrued benefits to members after allowing for future increases in earnings.

The total pension cost for the Company during the year was £627,000 (1998: £625,000). No contributions (1998: Nil) were due to the schemes at the year end.

18 Operating leases

The annual commitment at 30 November 1999 in respect of operating leases is as follows:

	Land and buildings £'000	Other operating leases £'000	Land and buildings £'000	Other operating Leases £'000
Leases expiring:				
Within one year	-	82	23	25
1-5 years	129	293	28	401
After 5 years	657	-	692	-
	786	375	743	426

19 Related party transactions

The company has taken advantage of the exemption granted by Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the TBG Holdings NV group or investees of the group.

20 Contingent liability

In the normal course of business there exist performance bonds and guarantees outstanding at 30 November 1999 of £766,000 (1998: £894,000).

21 Capital commitments

At 30 November 1999 future capital expenditure not provided for in the financial statements was as follows:

	1999 £'000	1998 £'000
Authorised and contracted for	63	51

22 Ultimate parent company

The ultimate parent undertaking is TBG Holdings NV, a company incorporated in Curacao, Netherlands Antilles.

The immediate parent undertaking for which group financial statements are prepared is Sterling Fluid Systems (UK) Limited, a company registered in England and Wales. A copy of the financial statements of the parent can be obtained from Sterling Fluid Systems (UK) Limited, Theale Cross, Reading, Berkshire RG31 7SP.