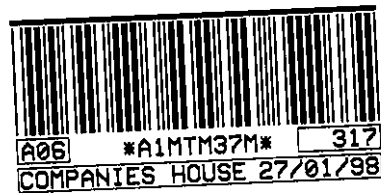


COMPANY REGISTRATION NUMBER 2685622

FILTER ENGINEERING LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1997



KINGSCOTT, DIX & CO.
CHARTERED ACCOUNTANTS
60 KINGS WALK
GLOUCESTER

FILTER ENGINEERING LIMITED

GENERAL INFORMATION

DIRECTORS

S.A. Sherwood-Rogers
N.R.C. Shepherd

SECRETARY

S.A. Sherwood-Rogers

REGISTERED OFFICE

60 Kings Walk
Gloucester
GL1 1LA

BANKERS

National Westminster Bank PLC
Market Place
Herefordshire
HR9 5BX

REPORTING ACCOUNTANTS

Kingscott, Dix & Co.
Chartered Accountants
60 Kings Walk
Gloucester
GL1 1LA

COMPANY REGISTRATION NO. 2685622

FILTER ENGINEERING LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 MARCH 1997

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1	Directors' Report
2	Accountants' Report
3	Profit and Loss Account
4	Balance Sheet
5 - 8	Notes to the Accounts

The following pages do not form part of the statutory accounts

9	Detailed Trading and Profit and Loss Account
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FILTER ENGINEERING LIMITED

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 March 1997.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is that of the sale of fluid filters. There has been no significant change in this activity during the year.

DIRECTORS

The Directors of the Company who served during the year and their beneficial interests in the shares of the Company were as follows:-

	Ordinary Shares of £1 each 31 March 1997
S.A. Sherwood-Rogers	70
N.R.C. Shepherd	30

SMALL COMPANY EXEMPTIONS

The Directors report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By Order of the Board



S.A. SHERWOOD-ROGERS

Secretary

KINGSCOTT, DIX & COMPANY

CHARTERED ACCOUNTANTS
60 KINGS WALK, GLOUCESTER GL1 1LA

ACCOUNTANTS' REPORT

TO THE SHAREHOLDERS ON THE UNAUDITED ACCOUNTS OF

FILTER ENGINEERING LIMITED

We report on the accounts for the year ended 31 March 1997 set out on pages 5 to 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANT

As described on page 4 the company's directors are responsible for the preparation of the accounts, and they consider that the company is exempt from an audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

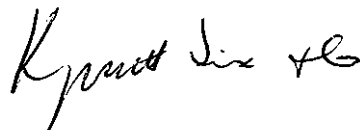
BASIS OF OPINION

Our work was conducted in accordance with the Statement of Standards for Reporting Accountants, and so our procedures consisted of comparing the accounts with the accounting records kept by the company, and making such limited enquiries of the officers of the company as we considered necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

OPINION

In our opinion

- [a] the accounts are in agreement with the accounting records kept by the company under Section 221 of the Companies Act 1985;
- [b] having regard only to, and on the basis of, the information contained in those accounting records:
 - [i] the accounts have been drawn up in a manner consistent with the provisions specified in Section 249C(6) of the Act; and
 - [ii] the company satisfied the requirements for the exemption from audit of the accounts for the year specified in Section 249A(4) of the Act and did not, at any time within that year, fall within any of the categories of companies not entitled to the exemption specified in Section 249B(1)(a) to (f).



KINGSCOTT, DIX & CO.
CHARTERED ACCOUNTANTS
26 JANUARY 1998

FILTER ENGINEERING LIMITED
 PROFIT AND LOSS ACCOUNT
 YEAR ENDED 31 MARCH 1997

	Note	1997 £	1996 £
TURNOVER		19,110	6,530
COST OF SALES		<u>3,771</u>	<u>642</u>
GROSS PROFIT		15,339	5,888
ADMINISTRATIVE EXPENSES		<u>9,411</u>	<u>6,781</u>
OPERATING PROFIT/(LOSS)	2	5,928	(893)
INTEREST PAYABLE AND SIMILAR CHARGES		<u>125</u>	<u>67</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		5,803	(960)
TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES		<u>-</u>	<u>-</u>
RETAINED PROFIT/(LOSS) TRANSFERRED TO RESERVES	9	<u>5,803</u>	<u>(960)</u>

All of the Company's activities are continuing.

There were no recognised gains or losses other than those included in the profit and loss account above.

The notes on page 5 to 8 form part of these accounts.

FILTER ENGINEERING LIMITED
BALANCE SHEET
AS AT 31 MARCH 1997

		1997	1996
	Note	£	£
TANGIBLE FIXED ASSETS	4	1,376	321
CURRENT ASSETS			
Stock	5	1,300	1,350
Debtors	6	5,673	-
		6,973	1,350
CREDITORS: Amounts falling due within one year	7	6,001	5,126
NET CURRENT ASSETS/ (LIABILITIES)		972	(3,776)
		2,348	(3,455)
CAPITAL AND RESERVES			
Called Up Share Capital	8	100	100
Share Premium Account	9	29,970	29,970
Profit and Loss Account	9	(27,722)	(33,525)
SHAREHOLDERS' FUNDS	10	2,348	(3,455)


Exemption from Audit

For the year ended 31 March 1997 the Company was entitled to exemption under Section 249A(1) of the Companies Act 1985. No notice has been deposited under S249B(2) in relation to the accounts for the financial year. The Directors acknowledge their responsibility for ensuring that the Company keeps accounting records which comply with Section 221 of the Act and preparing accounts 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 its profit for the financial year in accordance with the requirements of Section 226 of the Act, and which otherwise comply with the requirements of this Act relating to accounts so far as applicable to the Company.

Preparation of Accounts

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

Signed on behalf of the Board of Directors

.....  DIRECTOR
S.A. SHERWOOD-ROGERS

..... 23/1/98 DATE

The notes on pages 5 to 8 form part of these accounts.

FILTER ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
31 MARCH 1997

[1] ACCOUNTING POLICIES

[a] BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost basis of accounting.

[b] TURNOVER

Turnover comprises the net sales to customers during the year, exclusive of VAT.

[c] TANGIBLE FIXED ASSETS

Tangible fixed assets are depreciated so as to amortize their cost over their estimated useful lives, and the following annual values are used in respect of each major category:-

Fixtures and Fittings	20% on Cost
Motor Vehicles	25% on Cost

[d] STOCKS

Stocks are stated at the lower of cost and net realisable value, and have been valued on bases consistent with previous years.

[e] RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off as incurred.

FILTER ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
31 MARCH 1997

[2]	PROFIT/(LOSS) ON ORDINARY ACTIVITIES	1997	1996
	Profit/(Loss) on ordinary activities is stated after charging:	£	£
	Depreciation:		
	- assets owned by the Company	630	716
	Directors' Remuneration	-	-
		<u> </u>	<u> </u>

[3] TAXATION

No charge for taxation arises due to the availability of losses brought forward to be offset against the profits made.

[4]	TANGIBLE FIXED ASSETS			
		Motor Vehicles	Fixtures and Fittings	Total
	COST	£	£	£
	As at 1 April 1996	2,000	1,074	3,074
	Additions	1,545	140	1,685
	As at 31 March 1997	<u>3,545</u>	<u>1,214</u>	<u>4,759</u>
	ACCUMULATED DEPRECIATION			
	As at 1 April 1996	2,000	753	2,753
	Charge for the Year	387	243	630
	As at 31 March 1997	<u>2,387</u>	<u>996</u>	<u>3,383</u>
	NET BOOK VALUE			
	As at 31 March 1997	<u>1,158</u>	<u>218</u>	<u>1,376</u>
	As at 31 March 1996	<u>-</u>	<u>321</u>	<u>321</u>

FILTER ENGINEERING LIMITED
NOTES TO THE ACCOUNTS
31 MARCH 1997

[5]	STOCK	1997	1996
		£	£
	Stock	<u>1,300</u>	<u>1,350</u>
[6]	DEBTORS	1997	1996
		£	£
	Director's Loan Account	<u>5,673</u>	<u>-</u>
[7]	CREDITORS: Amounts falling due within one year	1997	1996
		£	£
	Bank Loans and Overdrafts	887	35
	Trade Creditors	641	1,102
	Other Creditors	<u>4,473</u>	<u>3,989</u>
		<u>6,001</u>	<u>5,126</u>
[8]	SHARE CAPITAL	1997	1996
		£	£
	Authorised Ordinary Shares of £1 each	<u>100,000</u>	<u>100,000</u>
	Called Up and Fully Paid Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

FILTER ENGINEERING LIMITED

NOTES TO THE ACCOUNTS

31 MARCH 1997

[9] RESERVES	Profit & Loss Account £	Share Premium Account £
Balance at beginning of the Year	(33,525)	29,970
Profit for the Year	<u>5,803</u>	<u>-</u>
Balance at the end of the Year	<u>(27,722)</u>	<u>29,970</u>

[10] RECONCILIATION OF MOVEMENT ON SHAREHOLDERS' FUNDS	1997 £	1996 £
Profit/(Loss) for the Year Shareholders' Funds at the beginning of the Year	5,803 <u>(3,455)</u>	(960) <u>(2,495)</u>
Shareholders' Funds at the end of the Year	<u>2,348</u>	<u>(3,455)</u>