ASSOCIATED BRITISH ENGINEERING PLC

Registered No. 110663

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FINANCIAL HIGHLIGHTS

	2002 £000s	2001 £000s
TURNOVER ON		
CONTINUING OPERATIONS	3,007	2,862
LOSS BEFORE TAXATION ON		
ORDINARY ACTIVITIES	(812)	(156)
CONTINUING OPERATIONS	(296)	(177)
NET CASH	1,441	1,991
	PENCE	PENCE
LOSS PER £2 ORDINARY SHARE ON		
CONTINUING OPERATIONS	(26)p	(18)p
BASIC	(66)p	(16)p
EQUITY SHAREHOLDER FUNDS		
PER £2 ORDINARY SHARE	180p	245p

CHAIRMAN S STATEMENT

The Group made a pre-tax loss of £296,000 on the continuing operations compared with a pre tax loss of £177,000 last year. Including discontinued operations and exceptional costs the pre-tax loss for this year was £812,000, which compares with a pre-tax loss last year of £156,000.

Included in these results are losses of £176,000 for the year ended 31 March 2002 in a division of British Polar Engines which were unacceptable and therefore the Board decided to close it at a cost of £340,000. This will relieve the Group of a further cash drain on its resources and allow management at British Polar Engines to focus on the core business.

The continuing business of British Polar Engines made an operating loss of £205,000 during the year following difficult trading conditions in the medium speed marine business in the second half of the year. To reduce the ongoing costs of the business, redundancies were made at the end of the year at a cost of £36,000. Demand for products and services in the smaller, higher speed, engine sector remains in line with expectation. In common with many other businesses, world events of the past months have created uncertainties in the medium speed engine market. We remain optimistic that some degree of stability will return in the medium term and are confident of our ability to face the challenges that lie ahead.

In the interests of simplifying the Group and reducing the risks to shareholder value, the Board consulted certain large shareholders and decided that it would be in the interests of shareholders to see if there were potential buyers for the business of British Polar Engines. If this disposal is completed it is likely to lead to a substantial loss, which, in accordance with existing accounting standards is not reflected in the group's profit and loss account for the year ended 31 March 2002. Once the Board is in a position to make a recommendation to the shareholders we will make an announcement and issue a circular to seek shareholders approval.

In November 2000 the new reporting standard FRS 17 "Retirement Benefits" was issued replacing SSAP 24 "Accounting for Pension Costs". This new standard is fully effective for accounting periods ending on or after 22 June 2003, though certain disclosures are required in the transition period. Under these new proposals the market value of the Group's pension fund assets at 31 March 2002 was £7,793,000 and the actuarial value of the liabilities was £9,556,000 resulting in a deficit for FRS 17 purposes of £1,763,000, which is more fully set out in note 24 to the accounts. The debate on how to evaluate and reflect pension surpluses and deficits continues and I fully expect these requirements to change before full implementation.

In addition, the Board are currently waiting the results of the triennial actuarial valuation of the Pension Fund as at 1 April 2002. Preliminary results from the actuary to the Fund indicate that on the statutory Minimum Funding Requirement basis the funding level is greater than 90% and that for the purposes of the long term funding of the Fund there maybe a significant deficit which will need to be funded by the Group. The Board are investigating the position of the fund and will make a further announcement once the position has been clarified.

The board is continuing to review opportunities for developing the Group and is utilising principally its own time and resources in giving consideration to those situations, which it believes worthwhile before committing external resources. We will keep shareholders informed of developments.

Rupert Pearce Gould
Chairman
29 July 2002

DIRECTORS REPORT

The directors submit their report and audited accounts for the year ended 31 March 2002.

ACTIVITIES

During the year the Company has acted as a parent undertaking for a subsidiary engaged in diesel and related engineering activities. Details of the trading subsidiary are set out in note 13.

RESULTS AND DIVIDENDS

The Group loss for the year on ordinary activities before taxation amounted to £812,000 (2001 loss of £156,000). The directors do not recommend a dividend on the ordinary shares for the year (2001 nil per ordinary share).

DIRECTORS

The names of the directors who served during any part of the period from 1 April 2001 to 31 March 2002 are:

Mr D A H Brown	Non-executive Director
Mr S J Cockburn	Non-executive Director
Mrs K M Good (formerly Mrs K M Hill)	Finance Director and Company Secretary
Mr R A Pearce Gould	Chairman

Biographical details of the present directors are set out on page 34.

All the directors served throughout the year.

In accordance with the articles of association, Mr D A H Brown and Mr R A Pearce Gould retire by rotation as directors of the Company and, being eligible, offer themselves for re-election. Their biographical details are set out on page 34. Mr D A H Brown and Mr R A Pearce Gould do not have service contracts with the Company.

SUBSTANTIAL HOLDINGS

As at 22 July 2002 the Company had been notified of the following substantial interests in the issued ordinary share capital of the Company:

Pershing Keen Nominees Limited – account PSL991 (on account of non-discretionary clients including a holding of 4.3% on behalf of Magro Investments SA)	18.8%
R A Pearce Gould – account CMC (on behalf of Cambridge Management Consultants Limited)	8.81%
P Gyllenhammar	5.10%
R R Harris and R H Cutts (Registered in the name of Sun Life Pensions Management Limited)	4.02%
P M Tucker	3.98%
J R M Keatley	3.18%

BENEFICIAL INTEREST IN SIGNIFICANT CONTRACTS

None of the directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was party during the year.

DIRECTORS REPORT

BENEFICIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

The beneficial interests of the directors, their spouses and children (if any), in the share capital of the Company according to the register kept by the Company under section 325 of the Companies Act 1985 as at 1 April 2001 and 31 March 2002 were as follows:

	Ordinary shares of £2 each		7 per cent Cumulative Preference share		8 per cent Cumulative Redeemable Preference shares	
	2002	2001	2002	2001	2002	2001
Mr D A H Brown	2,146	100	-	-	-	-
Mr S J Cockburn	1,250	1,250	55,314	55,314	2,000	2,000
Mrs K M Good	500	500	-	-	-	-
Mr R A Pearce Gould	115,750	115,750	-	-	-	-

At the relevant dates Mr S J Cockburn had a non beneficial interest in 10,000 7 per cent cumulative preference shares. No director had any interest in the shares of any subsidiary.

At the relevant dates (except where otherwise indicated) Mrs K M Good also had the following options to subscribe for ordinary shares in the Company after a period of three years and within a period of ten years from date of grant:

Date of Grant		Exercise Price £	Number of options
13 December 1991	(lapsed 13 December 2001)	8.00	480
11 July 1994		8.50	1,000
6 January 2001		2.00	1,500

None of the non-executive directors participate in the Company's share option scheme.

The exercise price is the market price at the date of issue of the options. Other than those that have been disclosed, no options lapsed, were granted to, or exercised by Mrs K M Good or members of her immediate family during the year. The market price of the Company's shares at 31 March 2002 was 127.5p and the equivalent range of market prices for the £2 ordinary shares during the year was between 107.5p and 192.5p.

On 3 January 2001 the Company granted Cambridge Management Consultants Limited, which provides the services of Mr R A Pearce Gould, a long term incentive whereby it receives either a fee equal to the difference between the average closing mid-market price of the Ordinary Shares for the previous five trading days and 200p multiplied by 40,000 or the right to subscribe for 40,000 shares at an exercise price of 200p per share. The benefits of this scheme are non-pensionable. This share option is exercisable until 6 months after Mr R A Pearce Gould ceases to be a director of the Company. As there is only one executive director, the chairman Mr R A Pearce Gould is charged with more responsibilities than would generally be expected of a non-executive. This incentive arrangement is primarily an additional fee linked to share performance with, if both parties agree, a share alternative and in the Board's opinion the best way to provide an incentive to Mr Pearce Gould to maximise the return to shareholders.

Since 31 March 2002 and up to and including 22 July 2002 there have been no changes in the directors' interests in the share capital of the Company.

DIRECTORS REPORT

CHARITABLE AND POLITICAL DONATIONS

The Group made no political donations during the year and charitable donations amounting to £80 during the year.

EMPLOYEE INVOLVEMENT

We have maintained our commitment to employee involvement throughout the business. Staff are kept informed of the performance and objectives of the Group through the interim and annual published results and staff meetings. Working teams allow management to meet with staff representatives, providing opportunities for staff to contribute to the every day running of the business.

DISABLED PERSONS

It is the Company's policy to give sympathetic consideration to the recruitment, continuing employment, training, career development and promotion of disabled persons.

CREDITOR PAYMENT POLICY

The Company's current policy concerning the payment of the majority of its trade creditors is to follow the Better Payment Practice Code co-ordinated by the Better Payment Practice Group. For other suppliers, the Company's policy is to:

(a) Settle the terms of payment with those suppliers when agreeing the terms of each transaction;
(b) Ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
(c) Pay in accordance with its contractual and other legal obligations.

Wherever possible subsidiaries follow the same policy. The average number of days which the company took to pay trade creditors was 30 days (2001: 30 days).

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 11 November 2002 at 4.00pm at which the following business will be proposed as special business.

RESOLUTION 5 -- DISAPPLICATION OF PRE-EMPTION RIGHTS

In accordance with section 95 of the Companies Act 1985, it is proposed to renew for a further year the authority of the directors to allot equity securities for cash without first being required to offer such securities to shareholders of the Company by way of rights issue and, in other cases, to any issue of equity securities representing no more than 131,342 ordinary shares, equivalent to 10 per cent of the issued ordinary share capital of the Company. The authority will terminate no later than fifteen months after the passing of this resolution.

AUDITORS

In accordance with sections 384 and 390A of the Companies Act 1985 a resolution to re-appoint Grant Thornton as auditors to the Company and authorise the directors to fix their remunerations will be put to the annual general meeting.

K Good

On behalf of the board
Mrs K M Good
Finance Director and Company Secretary
29 July 2002

ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable Accounting Standards up to and including FRS 19. A summary of the more important accounting policies, which have been applied consistently, is set out below. Complying with new Accounting Standards has had no effect upon these financial statements.

BASIS OF ACCOUNTING

The accounts are prepared on the historical cost basis.

BASIS OF CONSOLIDATION

The Group accounts incorporate the accounts of Associated British Engineering plc and its subsidiary undertakings to 31 March each year. The Group accounts include the results of subsidiaries acquired or disposed of during the year from or to the effective date of acquisition or disposal.

GOODWILL

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill acquired is capitalised and amortised through the profit and loss account over its useful economic life.

TURNOVER

Turnover represents amounts invoiced for goods sold and services rendered, net of value added tax.

STOCK

Stocks of raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. Work in progress and finished goods include an appropriate allocation of overheads.

LEASED ASSETS

The annual rentals on operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Leasing agreements, which transfer to the Group substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

ACCOUNTING POLICIES

TANGIBLE FIXED ASSETS

Freehold land is not depreciated. Other fixed assets are depreciated over their estimated useful lives at the following annual rates applied to cost:

Freehold buildings	2-5 per cent
Plant & Machinery	7½ - 33⅓ per cent

DEFERRED TAXATION

Deferred tax is recognized on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognized when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

FOREIGN CURRENCIES

Assets and liabilities of overseas companies in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and consequential adjustments to balances are dealt with through reserves. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

PENSIONS

Contributions to the Group's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost over the average service lives of the participating employees. Contributions to the group personal pension plan are charged against operating profit as incurred.

FINANCIAL INSTRUMENTS

Financial assets are recognized in the balance sheet at the lower of cost and net realisable value.

Income and expenditure arising on financial instruments is recognized on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002

		Notes	Before Exceptional items 2002 £000s	Exceptional items (Note 5) 2002 £000s	Total 2002 £000s	2001 £000s
Turnover	*- Continuing operations*		3,007	–	3,007	2,862
	- Discontinued operations		580	–	580	950
		1	3,587	–	3,587	3,812
Operating loss	- Continuing operations		(194)	(150)	(344)	(228)
	- Discontinued operations		(176)	–	(176)	(276)
		2	(370)	(150)	(520)	(504)
Surplus arising from ABE Catering Equipment Ltd		5	–	–	–	297
Loss arising on closure of trading division		5	–	(340)	(340)	–
(Loss)/profit on ordinary activities before finance costs						
	- Continuing operations		(194)	(150)	(344)	(228)
	- Discontinued operations		(176)	(340)	(516)	21
			(370)	(490)	(860)	(207)
Net finance income	- Continuing operations	6	48	–	48	51
(Loss)/profit on ordinary activities before taxation						
	- Continuing operations		(146)	(150)	(296)	(177)
	- Discontinued operations		(176)	(340)	(516)	21
			(322)	(490)	(812)	(156)
Taxation		7			–	(5)
Loss on ordinary activities after taxation					(812)	(161)
Non-equity dividends		8			(51)	(51)
Retained loss		20			(863)	(212)
Loss per ordinary share						
- Continuing operations					(26)p	(18)p
- Basic		10			(66)p	(16)p

The accounting policies on pages 6 and 7 and the notes on pages 13 to 26 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2002 £000s	2001 £000s
Loss for the financial year	(812)	(161)
Foreign exchange adjustment	-	22
Total recognised gains and losses for the year	(812)	(139)

The foreign exchange adjustment represents exchange gains during 2002 relating to the restatement of the balance sheet and results of Danway Limited, incorporated in the Cayman Islands, using the exchange rate at 31 March 2002 (2001 using the exchange rate at 31 March 2001).

NOTE OF HISTORICAL COST PROFITS AND LOSSES

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2002 £000s	2001 £000s
Total recognised gains and losses for the year - as above	(812)	(139)
Shareholders' funds at 1 April 2001	3,987	4,126
Shareholders' funds at 31 March 2002	3,175	3,987

GROUP BALANCE SHEET
AS AT 31 MARCH 2002

	Notes	2002 £000s	2001 £000s
FIXED ASSETS			
Tangible assets	11	553	734
CURRENT ASSETS			
Stock	14	1,400	1,751
Properties held for sale		116	-
Debtors - amounts falling due within one year	15	621	1,051
Cash at bank and in hand		1,518	2,019
		3,655	4,821
Creditors - amounts falling due within one year	16	991	1,519
Net current assets		2,664	3,302
Total assets less current liabilities		3,217	4,036
Creditors - amounts falling due after one year	16	15	17
Provisions for liabilities and charges	18	27	32
Net assets		3,175	3,987
CAPITAL AND RESERVES			
Called up share capital	19	3,339	3,339
Share premium account		5,038	5,038
Other reserves		11	11
Profit and loss account	20	(5,213)	(4,401)
Equity shareholders' funds		2,361	3,224
Non-equity shareholders' funds	19	814	763
Total shareholders' funds		3,175	3,987

The accounting policies on pages 6 and 7 and the notes on pages 13 to 26 form part of these accounts.

BALANCE SHEET
AS AT 31 MARCH 2002

	Notes	2002 £000s	2001 £000s
FIXED ASSETS			
Investments	13	2,484	3,406
CURRENT ASSETS			
Property held for sale		200	-
Debtors - amounts falling due within one year	15	2	25
Debtors - amounts falling due after one year	15	750	1,690
Cash at bank and in hand		1,314	1,769
		2,266	3,484
Creditors - amounts falling due within one year	16	730	694
Net current assets		1,536	2,790
Total assets less current liabilities		4,020	6,196
Creditors - amounts falling due after one year	16	2,292	2,292
Provisions for liabilities and charges	18	27	32
Net assets		1,701	3,872
CAPITAL AND RESERVES			
Called up share capital	19	3,339	3,339
Share premium account		5,038	5,038
Other reserves		212	212
Profit and loss account	20	(6,888)	(4,717)
Equity shareholders' funds		887	3,109
Non-equity shareholders' funds	19	814	763
Total shareholders' funds		1,701	3,872

Approved by the board on 29 July 2002 and signed on its behalf by:

K M Good

Mrs K M Good, Director

Mr R A Pearce Gould, Director

The accounting policies on pages 6 and 7 and the notes on pages 13 to 26 form part of these accounts.

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2002

	2002 £000s	2001 £000s
OPERATING ACTIVITIES		
Cash outflow from operating activities	(314)	(755)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Finance income received	52	56
Finance costs paid	(3)	(3)
Finance cost element of finance lease rental payments	(1)	(2)
Net cash flow from returns on investments and servicing of finance	48	51
TAXATION		
UK Taxation paid	(5)	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(42)	(83)
Net proceeds on sale of tangible fixed assets	3	45
Net cash outflow from capital expenditure and financial investment	(39)	(38)
ACQUISITIONS AND DISPOSALS		
Acquisition of Kelvin Diesels	(148)	(300)
Sale of the Middle East operations	-	121
Discontinued ABE Diesels operation	(74)	-
Discontinued catering equipment operations	-	889
Properties held for sale	-	885
Net cash (outflow)/inflow from aquisition and disposals	(222)	1,595
Cash (outflow)/inflow before financing	(532)	853
FINANCING		
Decrease in debt	(12)	(12)
Capital element of finance lease repayments	(6)	(47)
	(18)	(59)
(Decrease)/increase in cash in the year	(550)	794

A detailed analysis is given in note 21.

NOTES TO THE ACCOUNTS

1 ANALYSIS OF TURNOVER BY GEOGRAPHICAL DESTINATION

	2002 £000s	2001 £000s
United Kingdom	2,435	2,295
Europe	485	671
Middle East	80	128
Far East and Australasia	263	250
Africa	124	16
North and South America	200	452
	3,587	3,812

All of the above turnover arises from diesel and related engineering activities.

2 OPERATING LOSS

	Cont'd	Dis-cont'd	Total	Cont'd	Dis-cont'd	Total
	2002 £000s	2002 £000s	2002 £000s	2001 £000s	2001 £000s	2001 £000s
Turnover	3,007	580	3,587	2,862	950	3,812
Changes in stocks of finished goods and work in progress	(803)	(159)	(962)	(445)	122	(323)
Raw materials and services	2,621	669	3,290	2,221	680	2,901
Loss on disposal of property	-	-	-	36	-	36
Staff costs (note 3)	1,374	223	1,597	1,099	401	1,500
Auditors' remuneration for audit (Company £16,000 (2001: £20,000))	27	-	27	36	-	36
Depreciation on tangible fixed assets	82	23	105	99	23	122
Deferred Government grant credit	-	-	-	(2)	-	(2)
Operating lease rentals on plant and machinery	50	-	50	46	-	46
Net operating expenses	3,351	756	4,107	3,090	1,226	4,316
Operating loss	(344)	(176)	(520)	(228)	(276)	(504)

An amount of £29,000 (2001: £21,000) was paid to the auditors in respect of the provision of non audit services during the year.

NOTES TO THE ACCOUNTS

3 STAFF COSTS AND EMPLOYEES

The average monthly number of persons employed by the Group, including executive directors, during the year was 57 (2001: 58).

	2002	2001
Staff costs for the above persons:	£000s	£000s
Wages and salaries	1,360	1,285
Social security costs	117	107
Other pension costs	120	108
	1,597	1,500

4 DIRECTORS REMUNERATION

Details in respect of directors' remuneration are given in the report of the remuneration committee on pages 29 and 30.

5 EXCEPTIONAL ITEMS

Exceptional operating item

As a result of a downturn in trading activity, an additional provision of £150,000 has been made against the stock held by British Polar Engines Limited.

Discontinued activities

(a) 2002
On 31 March 2002 a trading division of British Polar Engines Limited was closed resulting in costs of £340,000.

(b) 2001
On 8 February 2000 the Company put its subsidiary, ABE Catering Equipment Limited, into administrative receivership. In 2001, £297,000 of losses previously written off were recovered.

6 NET FINANCE INCOME

	2002	2001
	£000s	£000s
Finance costs:		
On bank loans and overdrafts	(3)	(3)
On finance leases	(1)	(2)
	(4)	(5)
Other interest receivable	52	56
	48	51

NOTES TO THE ACCOUNTS

7 TAXATION

The tax charge represents:	2002 £000s	2001 £000s
United Kingdom corporation tax at 30% (2001: 30%)	-	5
Total current tax and tax on loss on ordinary activities	-	5

Factors affecting the tax charge for period.

The tax assessed for the period is different to the standard rate of corporation tax in the UK 30% (2001: 30%). The differences are explained as follows:

	2002 £000s	2001 £000s
Loss on ordinary activities before tax	812	156
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	244	47
Effect of:		
Expenses not deductible for tax purposes	(47)	55
Capital allowances for the period in excess of depreciation	-	10
Utilisation of tax losses	-	(7)
Profits not liable to corporation tax	47	71
Tax losses not utilised	(244)	(171)
Current tax charge for period	-	5

The group has trading losses of approximately £1.5 million (2001: £650,000), surplus ACT of approximately £910,000 (2001: £900,000) and capital losses of £9.5 million (2001: £9 million) available. These are available to set against future taxable profits, taxation liabilities and capital gains respectively. These amounts are subject to approval by the Inland Revenue.

8 DIVIDENDS

	2002 £000s	2001 £000s
Dividends on non-equity shares		
Preference 7%	39	39
Preference 8%	12	12
	51	51

The company does not have distributable reserves and is, therefore, unable to pay the preference dividends. The cumulative amount of preference dividends unpaid at 31 March 2002 was £102,000 (2001: £51,000).

9 LOSS FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these accounts. The parent company's loss for the financial year was £2,222,000 (2001: loss £89,000) (see note 20).

10 EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on:

	2002 Loss £000s	2002 Weighted average number of shares	2002 Per share amount pence	2001 Loss £000s	2001 Weighted average number of shares	2001 Per share amount pence
Basic earnings per share	(863)	1,313,427	(66)	(212)	1,313,427	(16)
Discontinued activities	(516)	1,313,427	(40)	21	1,313,427	2
Earnings per share on continuing operations	(347)	1,313,427	(26)	(233)	1,313,427	(18)

11 TANGIBLE FIXED ASSETS

GROUP

	Freehold land & buildings £000s	Plant & machinery £000s	Total £000s
Cost:			
At 31 March 2001	744	1,715	2,459
Additions	23	36	59
Transferred to current assets	(90)	(91)	(181)
Disposals	-	(34)	(34)
At 31 March 2002	677	1,626	2,303
Depreciation:			
At 31 March 2001	361	1,364	1,725
Charge for the year	32	73	105
Impairment loss on discontinued activities	-	17	17
Transferred to current assets	-	(65)	(65)
Disposals	-	(32)	(32)
At 31 March 2002	393	1,357	1,750
Net book value:			
At 31 March 2002	284	269	553
At 31 March 2001	383	351	734

Plant and machinery assets with a net book value of £17,000 (2001 £6,000) are held under finance leases.

The Company does not have any tangible fixed assets.

NOTES TO THE ACCOUNTS

12 CAPITAL COMMITMENTS

The Group and Company had no capital commitments at 31 March 2002 or 31 March 2001.

13 FIXED ASSET INVESTMENTS — COMPANY SUBSIDIARY UNDERTAKINGS

	£000s
Cost	
At 1 April 2001 and 31 March 2002	3,406
Amounts written off	
At 1 April 2001	-
Provision for permanent diminution in value	922
At 31 March 2002	922
Net book amount at 31 March 2002	2,484
Net book amount at 1 April 2001	3,406

The principal subsidiary undertakings, both of which are wholly owned, are:

Company	**Activity**	**Country of incorporation**
British Polar Engines Limited	Engineering	Great Britain
Danway Limited	Non-trading	Cayman Islands

As discussed in the Chairman's statement the Board are in the process of attempting to dispose of the Group's interest in British Polar Engines Limited. If this disposal is completed it is likely to lead to a substantial loss which, in accordance with existing accounting standards is not reflected in the group's profit and loss account for the year ended 31 March 2002.

14 STOCK - GROUP

	2002 £000s	2001 £000s
Raw materials	162	251
Work in progress	254	168
Finished goods	984	1,332
	1,400	1,751

The Company does not hold stock.

NOTES TO THE ACCOUNTS

15 DEBTORS

	Group		Company	
	2002	2001	2002	2001
	£000s	£000s	£000s	£000s
Amounts falling due within one year:				
Trade debtors	561	974	-	-
Amounts due from group undertakings	-	-	-	20
Other debtors	57	39	-	4
Prepayments and accrued income	3	38	2	1
	621	1,051	2	25
Amounts falling due after one year:				
Amounts due from group undertakings	-	-	750	1,690
	621	1,051	752	1,715

16 CREDITORS

	Group		Company	
	2002	2001	2002	2001
	£000s	£000s	£000s	£000s
Amounts falling due within one year:				
Bank loans	12	12	-	-
Bank overdrafts	49	-	-	-
Obligations under finance leases	4	3	-	-
Trade creditors	480	812	-	-
Amounts due to group undertakings	-	-	580	420
Other taxation and social security	36	166	4	10
Other creditors	253	374	97	192
Accruals and deferred income	157	152	49	72
	991	1,519	730	694

16 CREDITORS - Continued

	Group 2002 £000s	Group 2001 £000s	Company 2002 £000s	Company 2001 £000s
Amounts falling due after one year:				
Bank loans	-	12	-	-
Obligations under finance leases	12	1	-	-
Amounts due to group undertakings	-	-	2,292	2,292
Other creditors	3	4	-	-
	15	17	2,292	2,292
Bank loans falling due after one year are repayable:				
Between 1 and 2 years	-	12	-	-
The net finance lease obligations are due:				
In 1 year or less	4	3	-	-
Between 1 and 2 years	4	1	-	-
Between 2 and 5 years	8	-	-	-
	16	4	-	-

17 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, some borrowings, and various items, such as trade debtors, trade creditors, etc, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has positive cash balances of £1,518,000 and bank overdrafts of £49,000 at 31 March 2002.

Throughout the period under review, the Group has not traded in any financial instruments.

RISKS

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have been consistently applied throughout the period.

17 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS - Continued

INTEREST RATE RISK

The Group finances its operations through a mixture of preference shares, cash balances and some borrowings. At the year-end 100% (2001 100%) of the Group's borrowings were at a fixed rate of interest. The interest rate exposure of the financial liabilities of the Group as at 31 March 2002 and 31 March 2001 was as follows:

	2002 £000s	2001 £000s
Sterling		
- Preference shares	712	712
- Borrowings	77	28
	789	740

The interest rate of the preference shares is disclosed in note 19. The directors do not consider that the level of borrowings at 31 March 2002 expose the Group to significant risk, and have accordingly not calculated a weighted average interest rate or weighted average period for which interest rates are fixed.

The Group has no financial assets, other than short-term and long-term debtors and cash at bank.

LIQUIDITY RISK

The Group's liquidity is dependent on the cash balances available. The maturity profile of the Group's financial liabilities at 31 March 2002 and 31 March 2001 is set out in note 16.

FOREIGN CURRENCY RISK

The Group does not have any overseas trading subsidiaries. At 31 March 2002 the Group had approximately £194,000 held in a US Dollar account. The Group's sterling balance sheet is therefore affected by movements in the US Dollar. Generally sales are priced and invoiced to customers in sterling. All other monetary assets and monetary liabilities of the Group are denominated in sterling.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The directors consider that the fair values of the Group's financial instruments at 31 March 2002 and 31 March 2001 are not materially different from their book values.

NOTES TO THE ACCOUNTS

18 PROVISIONS FOR LIABILITIES AND CHARGES

PENSIONS (note 24)	Group and Company £000s
At 1 April 2001	32
Profit and loss account	(5)
At 31 March 2002	27

DEFERRED TAXATION

There is no unprovided deferred taxation, asset or liability at 31 March 2002 or 31 March 2001.

The directors consider that there are currently no plans for the distribution of the retained reserves of the overseas subsidiary that would give rise to a UK corporation tax liability. Consequently no deferred tax provision has been made.

No provision has been made for the potential deferred tax asset on the trading losses carried forward as this is not expected to crystallize in the foreseeable future.

19 CALLED UP SHARE CAPITAL

	Group and Company	
	2002 £000s	2001 £000s
Authorised:		
Equity		
1,699,078 ordinary shares of £2 each	3,398	3,398
Non equity		
750,000 7% (formerly 4.9%) cumulative preference shares of £1 each	750	750
1,681,443 8% cumulative redeemable preference shares of £1 each	1,681	1,681
	5,829	5,829
Allotted, called up and fully paid:		
Equity		
1,313,427 ordinary shares of £2 each	2,627	2,627
Non equity		
555,000 7% (formerly 4.9%) cumulative preference shares of £1 each	555	555
157,395 8% cumulative redeemable preference shares of £1 each	157	157
	3,339	3,339

Further to the Extraordinary General Meeting held on 1 September 1999 the ordinary shares have 200 votes per share.

The Company has the power to redeem the 8 per cent cumulative redeemable preference shares at par (together with arrears of dividends) at any time. The preference shares have a preferential right to return of capital on a winding up. All preference shares are non voting unless the dividends are six months in arrears or the resolution relates to the winding up of the Company or affects the rights attaching to them. Since the dividends are more than 6 months in arrears, the 8% cumulative redeemable preference shares of £1 each have 50 votes per share and the 7% cumulative preference shares of £1 each have 4 votes per share.

The Company operates an executive share option scheme under which options are granted with the guidance of the remuneration committee. At 31 March 2002 the following options were unexercised:

Date of Grant	Dates exercisable	Price	Options
11 July 1994	July 1997 to July 2004	£8.50	2,480
6 January 2001	Jan 2007 to Jan 2011	£2.00	8,500
			10,980

NOTES TO THE ACCOUNTS

20 PROFIT AND LOSS ACCOUNT

	Group £000s	Company £000s
At 1 April 2001	(4,401)	(4,717)
Retained loss	(863)	(2,222)
Cumulative preference dividends (see note 8)	51	51
At 31 March 2002	(5,213)	(6,888)

Cumulative preference dividends not paid at 31 March 2002 were £102,000 (2001: £51,000)

21 NOTES TO THE CASH FLOW STATEMENT

	2002 £000s	2001 £000s
Reconciliation of operating profit to net cash inflow from operating activities:		
Operating loss	(520)	(504)
Loss on disposal of property	-	36
Depreciation charges	105	122
Decrease in stocks	231	58
Decrease/(increase) in debtors	430	(291)
Decrease in creditors	(555)	(171)
Decrease in pension provision	(5)	(5)
Net cash outflow from operating activities	(314)	(755)

Reconciliation of net cash flow to movement in net cash/(debt):

	2002 £000s	2001 £000s
(Decrease)/increase in cash in the year	(550)	794
Change in net debt	12	12
Capital element of finance lease payments	6	47
New finance leases	(18)	-
Foreign exchange difference	-	22
	(550)	875
Net cash at the beginning of the year	1,991	1,116
Net cash at the end of the year	1,441	1,991

21 NOTES TO THE CASH FLOW STATEMENT -Continued

Analysis of changes in net cash/(debt):

	2002 £000s	Cash flow £000s	Other non cash changes £000s	2001 £000s
Cash at bank and in hand	1,518	(501)	-	2,019
Bank overdraft	(49)	(49)	-	-
	1,469	(550)	-	2,019
Debt due within one year	(12)	-	-	(12)
Debt due after one year	-	12	-	(12)
	(12)	12	-	(24)
Finance leases	(16)	6	(18)	(4)
Total	1,441	(532)	(18)	1,991

22 CONTINGENT LIABILITIES

	Group		Company	
	2002 £000s	2001 £000s	2001 £000s	2000 £000s
Bankers indemnities	30	154	-	-

23 COMMITMENTS UNDER OPERATING LEASES

At 31 March the Group has the following annual commitments under non-cancellable operating leases:

	Land and buildings		Other	
	2002 £000s	2001 £000s	2002 £000s	2001 £000s
Expiring within one year	-	-	-	4
Expiring between two and five years inclusive	-	-	27	30
Expiring in more than five years	16	15	-	-
	16	15	27	34

NOTES TO THE ACCOUNTS

24 PENSIONS

The Group operates a defined benefit pension scheme, holding the assets in a separate trustee administered fund. The required contributions are assessed with the advice of an independent qualified actuary using the projected unit method and charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. At 31 March 2002, the Pension Fund had 32 active members, 197 deferred members and 179 funded pensioners.

The principal actuarial assumptions used in the most recent actuarial valuation as at 1 April 1999 are based upon price inflation of 2.75 per cent per annum, an investment return of 7.25 per cent per annum prior to retirement and 4.75 per cent per annum in retirement, pay growth of 4.5 per cent per annum including promotions and increases in present and future pensions at 2.5 per cent per annum. At that date, the market value of the assets of the fund was £8,405,831 and the actuarial value of the assets was sufficient to cover 101 per cent of the benefits, which has accrued to members after allowing for expected future increases in earnings. The Group is still awaiting the results of the triennial actuarial valuation as at 1 April 2002 and consequently these have not been included in these accounts.

Ionian Investment Management, a division of Fiske plc, of which Mr S J Cockburn is a deputy chairman and shareholder, manages the pension fund investments.

In November 2000 the Accounting Standards Board issued FRS 17 "Retirement Benefits" replacing SSAP 24 "Accounting for Pension Costs". Certain disclosures are required in the transition periods, for periods which end on or after 22 June 2001. These further disclosures are set out below.

For the purpose of FRS17 Mercer Human Resource Consulting Limited updated the actuarial valuation to 31 March 2002. The principal actuarial assumptions used as at 31 March 2002 are based upon price inflation of 2.8 per cent per annum, a discount rate of 6.0 per cent per annum, pay growth equal to inflation of 2.8 per cent per annum and an increase below inflation for pensions accrued after 6 April 1997 of 0.25 per cent per annum.

The assets and liabilities of the pension fund at 31 March 2002 together with the expected rates of return on fund assets are:

	%	£000s
Equities	6.9	4,787
Bonds	4.4	2,449
Cash	2.6	557
Total market value of assets at 31 March 2002		7,793
Actuarial value of liabilities		(9,556)
Scheme deficit		(1,763)

24 PENSIONS - Continued

Had the Company fully adopted FRS 17 in these accounts the Group profit and loss account would have been stated as follows:

	£000s
Profit and loss account at 31 March 2002	(5,213)
Deficit in relation to the Pension Fund	(1,763)
Profit and loss account at 31 March 2002 as adjusted	(6,976)

The employers pension contributions in the year ended 31 March 2002 were £120,000 (2001: £108,000). This is stated after a reduction of £5,000 (2001: £5,000) representing the amortisation, over the expected average remaining service lives of the employees, of a provision made in previous years as a result of the preceding actuarial valuation. This provision was £27,000 at 31 March 2002 (2001: £32,000). Employer contributions are currently paid at the rate agreed of 17 per cent per annum of pensionable salaries, less contributions payable by active members, but are subject to review following completion of the actuarial valuation at 1 April 2002. The group has also designated a group personal pension plan which meets stakeholder requirements.

STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are required by UK Company Law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the accounts for the year ended 31 March 2002. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KM Good

On behalf of the board
Mrs K M Good
Finance Director and Secretary
29 July 2002

INDEPENDENT AUDITORS REPORT

TO THE MEMBERS OF ASSOCIATED BRITISH ENGINEERING PLC

We have audited the financial statements of Associated British Engineering plc for the year ended 31 March 2002 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in shareholders funds and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom auditing standards and the Listing Rules of the Financial Services Authority.

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 Act 1985. 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 or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's statement, the remuneration report and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF OPINION

We conducted our audit in accordance with 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 group'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 affairs of the company and the group at 31 March 2002 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton
Registered Auditors
Chartered Accountants
Oxford
29 July 2002

CORPORATE GOVERNANCE

The maintenance of effective corporate governance is a key priority of the board and shown below are details of how the company has applied the Principles of Good Governance and Code of Best Practice (the Combined Code). The board of directors considers that the company has complied throughout the year with section 1 of the Combined Code with the following exceptions:

- the board has not conducted a review of the effectiveness of the group's system of internal controls as required by provision D.2.1 of the Code. This is considered further under the heading of internal control on page 30;
- the non-executive directors of the company have not been appointed for specific terms as required by provision A.6.1 of the Code;
- there is no formally appointed senior independent director. This is contrary to provision A.2.1; and
- every director should receive appropriate training on the first occasion that he or she is appointed. There is no formal director training programme. This is contrary to provision A.1.6.

In view of the size of the company, the fact that there are three non-executive directors on each of the Audit and Remuneration committees and that the majority of the board are non-executive directors, the board considers that this representation is appropriate.

BOARD OF DIRECTORS

The board, which meets at least six times a year, currently comprises one executive, the Chairman and two independent non-executive directors. The biographical details of the directors are set out on page 34.

The board has directors who have between them considerable and varied experience in the business world and the City and the board believes they are an effective independent body. Therefore a senior independent non-executive director has not been identified.

Details of the directors' service contracts are set out in the Remuneration Report on pages 29 and 30. Under the Company's articles of association, at least one third of the directors (including, for avoidance of doubt, the executive director) retire from office each year. A retiring director is eligible for re-election.

The chairman is a non-executive director and there is a clear division of responsibility between the chairman and the finance director. The board retains full and executive control of the Company and has a formal schedule of matters in respect of which decisions are reserved to it, covering key areas, including strategy formulation, acquisitions or disposals, approval of budgets, financial results, board appointments and proposals for dividend payments.

There is a formal procedure by which any director may take professional advice in connection with his duties, at the company's expense.

AUDIT, REMUNERATION AND NOMINATIONS COMMITTEES

As appropriate, the board has delegated certain responsibilities to committees of the board which operate within clearly defined terms of reference. The standing committees of the board are an Audit, Remuneration and a Nominations Committee whose membership consists of the non-executive directors and are chaired by Mr R A Pearce Gould. Minutes of these committee meetings are available to all board members.

CORPORATE GOVERNANCE

AUDIT, REMUNERATION AND NOMINATIONS COMMITTEES — Continued

The Remuneration Committee, which comprises the three non-executive directors, meets at least once a year to decide the annual salary, bonus and benefits for the executive director and other senior executives of the Group. The board as a whole determines the remuneration of the non-executive directors. A full report on remuneration policy and details of remuneration of each director can be found on pages 32 and 33.

The Audit Committee reviews internal controls and deals with accounting and financial reporting matters. It meets at least twice a year to review the annual and interim accounts before they are submitted to the board. The Committee also monitors proposed changes in accounting policy and discusses the accounting implications of major transactions.

The Nominations Committee brings to the board recommendations for the appointment of any new director.

RELATIONS WITH SHAREHOLDERS

The chairman's statement in the Annual Report contains a business review. An interim business review is also provided with the half-year announcement. Shareholders are encouraged to contact the Company between General Meetings.

The board seeks to ensure that its report and accounts and other financial statements provide a clear assessment of the Group's position.

INTERNAL CONTROL

The directors are responsible for the Group's system of internal controls. These controls can only provide reasonable but not absolute assurance that assets are safeguarded against material loss or unauthorised use, that proper accounting records are maintained and that the information used internally, or for publication, is accurate and reliable. The key procedures, which exist to provide internal control, are as follows:

- The Group's organisational structure has clear lines of responsibility. Operating and financial responsibilities for the subsidiary company are delegated to the local board and there are set limits which apply to capital expenditure and significant contracts.
- A regular review is undertaken to review and assess the risks facing the trading subsidiary and to enhance the systems, which manage the key risks, identified. Local management establishes control procedures for each of the risks identified and reports whether the key controls have operated effectively.
- The Group has set accounting policies and financial and accounting procedures. The Group Finance Director and Chairman review the monthly financial information of the subsidiary and attend regular board meetings of the subsidiary. The Group budget is approved by the board and is compiled from the individual operating company budgets. The board reviews the Group's actual and forecast results at least once a quarter.
- The acquisition or disposal of a business may not be completed without the approval of the board.

INTERNAL CONTROL — Continued

Through these mechanisms, Group performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Nevertheless, the board considers that it is unable to state that it has fully complied during the year with the Code (D.2.1). The principle reasons for this are that the board has not finalised the following:

- The definition of the process to be adopted for its review of the effectiveness of internal control, including seeking regular assurance that the system was functioning effectively;
- The receipt and review of formal reports on internal control.

The board has considered the need for an internal audit function but has decided that the size of the group does not justify it at present. However, the board will keep the decision under annual review.

GOING CONCERN

After making appropriate enquiries, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

REMUNERATION REPORT

The Remuneration Committee is comprised exclusively of non-executive directors. They are as follows:

Mr D A H Brown
Mr S J Cockburn
Mr R A Pearce Gould

The Committee is satisfied that the Company has complied throughout the period with the Combined Code concerning the membership and operation of the Remuneration Committee and its remuneration policy.

In setting the policy for executive directors and the Group's other senior management it considers a number of factors including:

(a) the basic salaries and benefits available in comparable companies;
(b) the need to attract and retain personnel of an appropriate calibre; and
(c) the need to ensure individuals' commitment to the continued success of the Company by means of incentive schemes.

REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

The non-executive directors each receive a fee for their services, which is agreed by the board after reviewing comparable organisations and appointments. None of the non-executive directors receive any pension or other benefits from the Company, nor do they participate in any of the bonus or incentive schemes or share option schemes, except Mr R A Pearce Gould who participates in a long term incentive scheme, details of which are set out in the directors' report on pages 3 to 5.

The non-executive directors do not have service contracts with the Company. In accordance with the articles of association, each director (including, for avoidance of doubt, executive directors) retires from office at the third annual general meeting after the annual general meeting at which he was last elected. A retiring director is eligible for re-election.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The Company's remuneration policy for the executive director is to:

(a) have regard to the director's experience and the nature and complexity of her work in order to pay a competitive salary that attracts and retains management of the highest quality.

(b) links her individual remuneration package to the Group's long-term performance through the award of share options and incentive schemes.

PERFORMANCE RELATED INCENTIVE PLAN

The board introduced a performance related incentive plan in 1998 for Mrs K M Good. Payments under the plans are related to the growth in profit before taxation.

A share option scheme was introduced in 1989. Details of share options held by directors are set out in the Directors' report.

REMUNERATON REPORT

PENSIONS

Mrs K M Good is a member of the Group's defined benefit pension scheme. The details of this scheme are set out in note 24.

CONTRACTS OF SERVICE

Mrs K M Good has a contract of service with the Company which can be terminated with a notice period of one year by either party. The Company considers that this is appropriate for the finance director of the Company.

The committee reviews each case of early termination individually in order to ensure compensation settlements are made which are appropriate to the circumstances.

DIRECTORS REMUNERATION

	Salary and Fees £000s	Benefits £000s	2002 Total £000s	2001 Total £000s
Mr M J Barry	-	-	-	334
Mr D A H Brown	10	-	10	10
Mr S J Cockburn	10	-	10	10
Mr J H Davies	-	-	-	19
Mrs K M Good	66	11	77	77
Mr R A Pearce Gould	30	-	30	25
	116	11	127	475

Mrs K M Good is a member of the Group's defined benefit pension scheme (note 24). During the year her pension increased by £1,000 per annum to give her accumulated accrued benefits of £12,100 per annum at 31 March 2002. The transfer value of the increase is £1,000 net of her own contributions. Benefits transferred in from schemes relating to previous employments are payable in addition. This accrued pension entitlement is the amount that would be paid each year on retirement based on service to the end of the current year. The increase in the additional pension earned during the year excludes any increase for inflation.

No other director received any pension entitlements from the Group in respect of the years ended 31 March 2002 and 2001. No director waived emoluments in respect of the years ended 31 March 2002 and 2001.

DIRECTORS, REGISTERED OFFICE AND ADVISERS

RUPERT PEARCE GOULD (51) was appointed a non-executive director on 13 March 2000 and became chairman of the board on 31 October 2000. He is chairman and chief executive of Cambridge Corporate Consultants Limited. He is also chairman of Newsfax International Limited and joint chairman of Home & Capital Trust Limited as well as being a non-executive director of other companies.

DAVID BROWN (49) became an independent non-executive director on 22 March 2000. He is the managing director of the Sabre Development Group, carrying out real estate development and financing focused on Russia. He has previously been a company secretary and director of two fully listed companies and general counsel on the Canary Wharf Development. He is a non-practicing qualified solicitor.

STEPHEN COCKBURN (62) *has been an independent non-executive director since 1979.* He is Deputy Chairman of Fiske plc, a division of which, Ionian Investment Management, manages the investments in the Group's pension fund (see note 24). He is also chairman of Archimedes Investment Trust plc, managing director of The Investment Company plc and a director of seven other listed Investment Trusts.

KIRSTEN GOOD (38) is a member of the Institute of Chartered Accountants in England and Wales and joined the Group in 1990. She became the Group's Finance Director in 1996.

SECRETARY & REGISTERED OFFICE
Mrs K M Good
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Harston
Cambridge CB2 5NP
Registered No. 110663
Tel No: 01223 873600

BANKERS
The Royal Bank of Scotland plc

AUDITORS
Grant Thornton
Oxford

CORPORATE ADVISERS
Nabarro Wells & Co. Limited
London

REGISTRARS
Computershare Investor Services PLC
P.O. Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

SOLICITORS
Ashurst Morris Crisp
London

NOTICE OF MEETING

Notice is hereby given that the ninetieth Annual General Meeting of Associated British Engineering plc will be held at Grant Thornton, 1 Westminster Way, Oxford, OX2 OPZ on Monday 11 November 2002 at 4.00pm for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and adopt the directors' report and accounts for the year ended 31 March 2002 (Resolution 1).

2. To re-elect Mr D A H Brown as a director following retirement by rotation in accordance with the Company's articles of association (Resolution 2).

3. To re-elect Mr R A Pearce Gould as a director following retirement by rotation in accordance with the Company's articles of association (Resolution 3).

4. To re-appoint Grant Thornton as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors (Resolution 4).

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following resolution, which will be proposed as a special resolution of the Company:

5. That the directors of the Company be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot equity securities (within the meaning of section 94 (2) of the Companies Act 1985) for cash pursuant to authority conferred by Resolution 4 which was set out in the notice of the annual general meeting of the company convened for 1 September 1999 and passed at such meeting as if Section 89 (1) of the Companies Act 1985 did not apply to such allotment, provided that this authority shall: -

(a) expire on the later of 1 December 2003 or the conclusion of the annual general meeting of the Company next following this meeting save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of any such offer or agreement as if this authority had not expired; and

(b) be limited to the allotment of equity securities:-

(i) in connection with a rights issue in favour of the holders of ordinary shares in the capital of the Company on the relevant register on a fixed record date in proportion (as nearly as practicable) to their respective holdings and/or rights subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws, or the requirements of any recognised regulatory body or stock exchange, of any territory; and

(ii) (otherwise than pursuant to (i) above) up to an aggregate nominal amount not exceeding £262,684 (Resolution 5).

By order of the board
Mrs K M Good
Finance Director and Secretary
29 July 2002

Each holder of ordinary shares entitled to vote on a resolution, on a show of hands has one vote if present in person and on a poll, if present in person or by proxy, has 200 votes for every ordinary share held by him.

Each holder of 7 per cent cumulative preference shares entitled to vote on a resolution, on a show of hands has one vote if present in person and on a poll, if present or by proxy, has 4 votes for every 7 per cent cumulative preference share held by him.

Each holder of 8 per cent cumulative redeemable preference shares entitled to vote on a resolution, on a show of hands has one vote if present in person and on a poll, if present or by proxy, has 50 votes for every 8 per cent cumulative redeemable preference share held by him.

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him; a proxy need not also be a member. Proxy forms to be effective at the meeting must be deposited at the offices of the Company's registrars, Computershare Investor Services PLC, P.O. Box 1075, Bristol BS99 3ZZ not later than 48 hours before the time fixed for the meeting. Appointment of a proxy will not preclude a member from attending and voting in person at the annual general meeting.

The register of directors' shareholdings and transactions will be available for inspection at the registered office of the Company from the date hereof until the date of the annual general meeting during usual business hours and at the place of the annual general meeting for fifteen minutes prior to and during the annual general meeting. The directors' service contracts are also available for inspection at the registered office of the Company at all times.

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of holders of the ordinary shares of the Company by close of business on Saturday 9 November 2002. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

EXPLANATORY NOTES

Resolution 5: Your directors also require additional authority from shareholders to allot shares or grant rights over shares where they propose to do so for cash and otherwise than to existing shareholders pro rata to their holdings. The authority granted at the last annual general meeting is due to expire on 1 December 2002. Accordingly, Resolution 5 will be proposed as a special resolution to grant such authority. Apart from a rights issue, the authority will be limited to the issue of shares up to an aggregate nominal value of £262,684 (being ten per cent of the issued ordinary share capital at 31 March 2002). If given, this authority will expire on the later of 1 December 2003 or at the conclusion of the annual general meeting in 2003.