

Registered Number 2101607

AESSEAL plc  
Annual Report  
for the year ended 31 December 2006

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**AESSEAL plc**  
**Annual Report**  
**for the year ended 31 December 2006**  
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# **AESSEAL plc**

## **Directors and advisers for the year ended 31 December 2006**

### **Directors**

H Conger – Chairman

C J Rea OBE

G W Bridge

R Rea

M O Williams

J Wilkinson

A Roddis

R S Cook

D C Owen

M Hamson

### **Secretary**

G W Bridge

### **Registered Office**

Global Technology Centre

Mill Close

Bradmarsh Business Park

Rotherham

S60 1BZ

### **Auditors**

PricewaterhouseCoopers LLP

1 East Parade

Sheffield

S1 2ET

### **Bankers**

HSBC Bank plc

PO Box 50

17 Church Street

Sheffield

S1 1HH

# **AESSEAL plc**

## **Directors' report for the year ended 31 December 2006**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2006

### **Principal activity**

The company's principal activity during the year was the design, development, manufacture, sale and support of mechanical seals, engineered sealing systems and related products

### **Review of business and future developments**

Both the level of business and the year end financial position were satisfactory, and the directors expect that the activity levels will continue to increase

The directors of AES Engineering Limited manage the group's risks and operations at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that discussion of the group's risks and analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company's business. The principal risks and uncertainties of the group, which include those of the company, and the development, performance and position of the company are discussed in the Director's Report in the group's report and accounts which does not form part of this report

### **Results and dividends**

The profit and loss account for the year is set out on page 7. The directors do not recommend payment of a dividend

### **Directors and their interests**

The directors who held office during the year are given below:

H Conger  
C J Rea OBE  
G W Bridge  
R Rea  
M O Williams  
J Wilkinson  
A Roddis  
R S Cook  
D C Owen  
M Harrison (appointed 2 May 2006)

### **Research and development**

The Company continues to be committed to investment in research and development in all its areas of activity. This covers new products and processes and innovation in areas such as information technology

### **Employees**

The company organises employee communication and involvement culture centrally and locally. All employees are expected to understand the company's business culture and especially the needs of the customers it serves

## **AESSEAL plc**

The company gives consideration to the possibility of employing disabled persons wherever such opportunities exist. Those employees who become disabled are given the opportunity and assistance to continue in their employment or to be trained for other, more suitable positions.

### **Policy and practice on payment of creditors**

It is company policy to follow a standard payment practice. The terms of the payment practice can be obtained from the company's registered address as set out on page 1.

Terms of payment are agreed with suppliers, in line with the standard payment practice, and are adhered to.

The number of creditor days at the year end was 39 days (2005: 45 days).

### **Fixed assets**

Details of changes in tangible fixed assets are given in note 8 to the accounts.

### **Charitable donations**

The Company gave £10,584 (2005: £9,369) for charitable purposes in the year.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, 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 confirm that they have complied with the above requirements in preparing the report and accounts.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and 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.

## **AESSEAL plc**

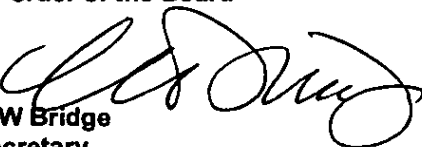
So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as information needed by the company's auditors in connection with preparing their report. Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditors**

During the year, Roddis Taylor Robinson resigned as auditors and the directors appointed PricewaterhouseCoopers LLP in their place.

PricewaterhouseCoopers LLP, 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**

  
**G W Bridge**  
**Secretary**  
28 June 2007

# **AESSEAL plc**

## **Independent auditors' report to the members of AESSEAL plc**

We have audited the financial statements of AESSEAL plc for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes. 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

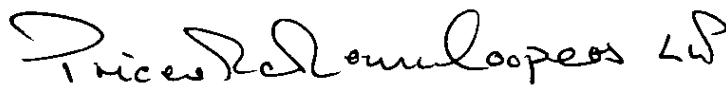
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## AESSEAL plc

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Sheffield  
28 June 2007

# AESSEAL plc

## Profit and loss account for the year ended 31 December 2006

|                                                              | Note      | 2006<br>£           | 2005<br>£    |
|--------------------------------------------------------------|-----------|---------------------|--------------|
| <b>Turnover – continuing operations</b>                      | <b>1</b>  | <b>26,955,651</b>   | 25,645,001   |
| Change in stocks of finished goods                           |           | (165,332)           | 623,558      |
| Other operating income                                       |           | 120,000             | 120,000      |
|                                                              |           | <b>26,910,319</b>   | 26,388,559   |
| Raw materials and consumables                                |           | (10,687,731)        | (10,522,224) |
| Staff costs                                                  | 4         | (9,401,996)         | (9,185,234)  |
| Depreciation                                                 |           | (1,518,169)         | (1,605,015)  |
| Other operating charges                                      |           | (3,652,975)         | (3,403,047)  |
|                                                              |           | <b>(25,260,871)</b> | (24,715,520) |
| <b>Operating profit – continuing operations</b>              |           | <b>1,649,448</b>    | 1,673,039    |
| Net interest (payable)/receivable and similar charges        | 2         | (18,361)            | 171,778      |
| <b>Profit on ordinary activities before taxation</b>         | <b>3</b>  | <b>1,631,087</b>    | 1,844,817    |
| Tax on profit on ordinary activities                         | 6         | (433,251)           | (414,668)    |
| <b>Profit for the financial year transferred to reserves</b> | <b>17</b> | <b>1,197,836</b>    | 1,430,149    |

All items dealt with in arriving at operating profit above relate to continuing operations

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

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

# AESSEAL plc

## Balance sheet as at 31 December 2006

|                                                                 | Note | 2006<br>£           | 2005<br>£           |
|-----------------------------------------------------------------|------|---------------------|---------------------|
| <b>Fixed assets</b>                                             |      |                     |                     |
| Intangible assets                                               | 7    | 425,578             | 386,342             |
| Tangible assets                                                 | 8    | 5,839,430           | 6,697,628           |
|                                                                 |      | <b>6,265,008</b>    | <b>7,083,970</b>    |
| <b>Current assets</b>                                           |      |                     |                     |
| Stock                                                           | 9    | 7,896,027           | 8,037,726           |
| Debtors                                                         | 10   | 10,165,761          | 10,060,965          |
| Cash at bank and in hand                                        |      | 783,554             | 519,769             |
|                                                                 |      | <b>18,845,342</b>   | <b>18,618,460</b>   |
| <b>Creditors amounts falling due within one year</b>            | 11   | <b>(6,325,235)</b>  | <b>(8,288,624)</b>  |
| <b>Net current assets</b>                                       |      | <b>12,520,107</b>   | <b>10,329,836</b>   |
| <b>Total assets less current liabilities</b>                    |      | <b>18,785,115</b>   | <b>17,413,806</b>   |
| <b>Creditors : amounts falling due after more than one year</b> | 12   | <b>(10,636,580)</b> | <b>(10,463,107)</b> |
| <b>Provisions for liabilities and charges</b>                   | 14   | <b>(520,000)</b>    | <b>(520,000)</b>    |
| <b>Net assets</b>                                               |      | <b>7,628,535</b>    | <b>6,430,699</b>    |
| <b>Capital and reserves</b>                                     |      |                     |                     |
| Called up share capital                                         | 16   | 50,000              | 50,000              |
| Profit and loss account                                         | 17   | 7,578,535           | 6,380,699           |
| <b>Total shareholders' funds</b>                                | 18   | <b>7,628,535</b>    | <b>6,430,699</b>    |

The financial statements on pages 7 to 20 were approved by the board of directors on 14 June 2007 and were signed on its behalf by



**C J Rea OBE**  
Director

# AESSEAL plc

## Statement of accounting policies

### Basis of preparation of accounts

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention. There were no material departures from those standards. A summary of the main accounting policies, which have been applied consistently, is set out below.

### Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from producing a cash flow statement as it is a wholly-owned subsidiary undertaking of AES Engineering Limited.

### Turnover

Turnover represents the amounts invoiced to customers net of value added tax. Under normal circumstances, turnover from product sales is recognised upon delivery to the customer or, in the case of goods supplied ex-works, generally upon collection by the customer or their agent. Where consignment stock arrangements are in place, turnover is recognised upon notification by the customer that the product has been withdrawn from consignment.

### Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over their estimated economic lives. The estimated economic lives used for this purpose are:

|                          |                                        |
|--------------------------|----------------------------------------|
| Plant and machinery      | 10% straight line                      |
| Fixtures and fittings    | 15% straight line                      |
| Computer equipment       | 20% straight line                      |
| Test equipment and tools | 20% straight line                      |
| Motor vehicles           | 25% straight line                      |
| Short leasehold property | Equal instalments over period of lease |

### Intangible fixed assets

Research and development of a revenue nature is written off in the year in which it is incurred.

Other development expenditure relating to specific projects is capitalised and carried forward and will be amortised over its useful economic life.

### Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. In respect of finished goods and goods for resale, cost includes direct materials, labour and manufacturing overheads incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs to completion and selling costs. Provision is made for slow moving and obsolete stock.

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### **Deferred taxation**

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there are no commitments to sell the assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax and liabilities are not discounted.

### **Pension costs**

The company operates defined contribution pension schemes. The charge in the profit and loss account for pension costs is the amount of the company's contributions payable to the pension schemes in the year.

### **Foreign currency**

Transactions denominated in foreign currencies are translated into the local currency using the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in a foreign currency have been translated into the local currency at the year end rates. Realised foreign exchange differences are taken to the profit and loss account.

### **Leasing**

Assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. The related obligations, net of future finance charges, are included in creditors.

Operating lease rentals are charged to the profit and loss account as they are incurred.

### **Share based incentives**

The Company has adopted Financial Reporting Standard 20 'share-based payment' (FRS20). No restatement of prior periods is necessary as the effect in respect of the current and prior year is not considered material.

In accordance with FRS20 the fair value of equity settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model.

In these accounts only the expense charged to the profit and loss account for the year is disclosed in note 3. The other disclosures required under FRS20 are included in the parent company accounts.

# **AESSEAL plc**

## **Notes to the financial statements for the year ended 31 December 2006**

### **1 Segmental reporting**

The company's turnover and operating profit relate entirely to its principal activity

As permitted by the Companies Act and SSAP 25 the directors have not disclosed segmental information as they consider it would be seriously prejudicial to the company's interests

### **2 Net interest (payable)/receivable and similar charges/(income)**

|                                                | <b>2006</b>      | <b>2005</b> |
|------------------------------------------------|------------------|-------------|
|                                                | <b>£</b>         | <b>£</b>    |
| Interest receivable from other group companies | <b>178,680</b>   | 151,851     |
| Exchange gains (net)                           | <b>112,148</b>   | 333,102     |
| Interest payable on hire purchase              | <b>(101,595)</b> | (99,193)    |
| Interest payable on bank overdrafts            | <b>(207,646)</b> | (216,382)   |
| Less Other interest                            | <b>52</b>        | 2,400       |
| <b>Net interest (payable)/receivable</b>       | <b>(18,361)</b>  | 171,778     |

## **AESSEAL plc**

### **3 Profit on ordinary activities before taxation**

|                                                           | <b>2006</b>      | <b>2005</b> |
|-----------------------------------------------------------|------------------|-------------|
|                                                           | <b>£</b>         | <b>£</b>    |
| Operating profit is stated after charging                 |                  |             |
| Directors' emoluments (see note 5)                        | <b>840,079</b>   | 707,255     |
| Depreciation of owned assets                              | <b>1,091,438</b> | 1,218,605   |
| Depreciation of assets held under hire purchase contracts | <b>451,554</b>   | 382,309     |
| Auditors' remuneration including expenses                 |                  |             |
| - audit                                                   | <b>15,000</b>    | 16,400      |
| - non-audit services                                      | <b>10,000</b>    | 1,989       |
| Operating leases - property                               | <b>71,825</b>    | 71,831      |
| Research and development costs                            | <b>3,647,811</b> | 3,164,152   |
| Loss on disposal of fixed assets                          | -                | 4,101       |
| Equity settled share based payments                       | <b>30,730</b>    | -           |
| After crediting                                           |                  |             |
| Foreign currency exchange gains (net)                     | <b>112,148</b>   | 333,102     |
| Profit on disposal of fixed assets                        | <b>24,823</b>    | -           |

# AESSEAL plc

## 4 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was

| By activity                   | 2006<br>Number | 2005<br>Number |
|-------------------------------|----------------|----------------|
| Sales engineers               | 34             | 39             |
| Management and administration | 99             | 93             |
| Production and stores         | 190            | 198            |
|                               | 323            | 330            |

| Staff costs for the above persons | 2006<br>£ | 2005<br>£ |
|-----------------------------------|-----------|-----------|
| Wages and salaries                | 8,518,694 | 8,301,085 |
| Social security costs             | 780,169   | 782,948   |
| Other pensions costs              | 103,133   | 101,201   |
|                                   | 9,401,996 | 9,185,234 |

## 5 Directors' emoluments

|                                                        | 2006<br>£ | 2005<br>£ |
|--------------------------------------------------------|-----------|-----------|
| Emoluments including benefits in kind                  | 794,135   | 664,555   |
| Company pension contributions to money purchase scheme | 45,944    | 42,700    |
|                                                        | 840,079   | 707,255   |

Retirement benefits are accruing to four (2005 four) directors under a money purchase scheme

| Highest-paid director                                  | 2006<br>£ | 2005<br>£ |
|--------------------------------------------------------|-----------|-----------|
| Emoluments including benefits in kind                  | 151,463   | 126,759   |
| Company pension contributions to money purchase scheme | 17,250    | 14,250    |
|                                                        | 168,713   | 141,009   |

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### 6 Tax on profit on ordinary activities

|                                                             | 2006     | 2005      |
|-------------------------------------------------------------|----------|-----------|
|                                                             | £        | £         |
| Current tax                                                 |          |           |
| UK corporation tax on profits of the year                   | 481,968  | 460,000   |
| Adjustments in respect of previous periods                  | (48,717) | (115,332) |
|                                                             | 433,251  | 344,668   |
| Deferred tax origination and reversal of timing differences | -        | 70,000    |
| Tax on profits on ordinary activities                       | 433,251  | 414,668   |

The tax charged on the profit for the year is lower than the standard rate of corporation tax in the UK  
The difference is explained below

|                                                                                                              | 2006      | 2005      |
|--------------------------------------------------------------------------------------------------------------|-----------|-----------|
|                                                                                                              | £         | £         |
| Profit on ordinary activities before tax                                                                     | 1,631,087 | 1,844,817 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%) | 489,326   | 553,445   |
| Effects of                                                                                                   |           |           |
| Expenses not deductible/expenses allowable for tax purposes                                                  | 28,042    | 14,253    |
| Capital allowances in excess of depreciation for the year                                                    | 15,600    | (45,773)  |
| Origination and reversal of other timing differences                                                         | -         | 1,075     |
| Other reliefs                                                                                                | (51,000)  | (63,000)  |
| Over provision in prior year                                                                                 | (48,717)  | (115,332) |
| Current tax charge for the year                                                                              | 433,251   | 344,668   |

# AESSEAL plc

## 7 Intangible fixed assets

|                            | Deferred<br>development<br>expenditure |
|----------------------------|----------------------------------------|
|                            | £                                      |
| <b>Cost</b>                |                                        |
| At 1 January 2006          | 386,342                                |
| Additions                  | 39,236                                 |
| <b>At 31 December 2006</b> | <b>425,578</b>                         |
| <b>Net book value</b>      |                                        |
| <b>At 31 December 2006</b> | <b>425,578</b>                         |
| At 31 December 2005        | 386,342                                |

## 8 Tangible fixed assets

|                                 | Land and<br>buildings | Plant,<br>fixtures and<br>equipment | Motor<br>vehicles | Total             |
|---------------------------------|-----------------------|-------------------------------------|-------------------|-------------------|
|                                 | £                     | £                                   | £                 | £                 |
| <b>Cost or valuation</b>        |                       |                                     |                   |                   |
| At 1 January 2006               | 50,730                | 14,147,495                          | 888,453           | 15,086,678        |
| Additions                       | -                     | 501,056                             | 203,183           | 704,239           |
| Disposals                       | -                     | (14,154)                            | (183,808)         | (197,962)         |
| <b>At 31 December 2006</b>      | <b>50,730</b>         | <b>14,634,397</b>                   | <b>907,828</b>    | <b>15,592,955</b> |
| <b>Accumulated depreciation</b> |                       |                                     |                   |                   |
| At 1 January 2006               | 49,394                | 7,855,519                           | 484,137           | 8,389,050         |
| Charge for the year             | 1,336                 | 1,358,013                           | 183,643           | 1,542,992         |
| Disposals                       | -                     | (5,161)                             | (173,356)         | (178,517)         |
| <b>At 31 December 2006</b>      | <b>50,730</b>         | <b>9,208,371</b>                    | <b>494,424</b>    | <b>9,753,525</b>  |
| <b>Net book amount</b>          |                       |                                     |                   |                   |
| <b>At 31 December 2006</b>      | <b>-</b>              | <b>5,426,026</b>                    | <b>413,404</b>    | <b>5,839,430</b>  |
| At 31 December 2005             | 1,336                 | 6,291,976                           | 404,316           | 6,697,628         |

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## 8 Tangible fixed assets (continued)

The net book value of land and buildings comprises

|                 | 2006 | 2005  |
|-----------------|------|-------|
|                 | £    | £     |
| Short leasehold | -    | 1,336 |

The cost of depreciable assets included in land and buildings at 31 December 2006 was £50,730 (2005 £50,730)

The net book value of tangible fixed assets includes an amount of £2,411,758 (2005 £2,320,159) in respect of assets held under hire purchase contracts or finance leases

## 9 Stocks

|                                     | 2006      | 2005      |
|-------------------------------------|-----------|-----------|
|                                     | £         | £         |
| Raw materials and consumables       | 1,231,981 | 1,208,348 |
| Finished goods and goods for resale | 6,664,046 | 6,829,378 |
|                                     | 7,896,027 | 8,037,726 |

## 10 Debtors

|                                    | 2006       | 2005       |
|------------------------------------|------------|------------|
|                                    | £          | £          |
| Trade debtors                      | 2,407,771  | 2,495,474  |
| Amounts owed by group undertakings | 7,290,901  | 6,953,300  |
| Other debtors                      | 184,230    | 343,890    |
| Prepayments and accrued income     | 282,859    | 268,301    |
|                                    | 10,165,761 | 10,060,965 |

## **AESSEAL plc**

### **11 Creditors – amounts falling due within one year**

|                                                               | <b>2006</b>      | <b>2005</b> |
|---------------------------------------------------------------|------------------|-------------|
|                                                               | <b>£</b>         | <b>£</b>    |
| Bank overdrafts                                               | <b>2,756,970</b> | 4,307,576   |
| Obligations under finance leases and hire purchase agreements | <b>752,599</b>   | 615,561     |
| Trade creditors                                               | <b>1,615,226</b> | 1,994,951   |
| Amounts owed to group undertakings                            | <b>160,501</b>   | 515,146     |
| Other creditors                                               | <b>-</b>         | 40,812      |
| Corporate tax payable                                         | <b>68,704</b>    | 175,432     |
| Other taxes and social security                               | <b>266,792</b>   | 174,636     |
| Accruals and deferred income                                  | <b>704,443</b>   | 464,510     |
|                                                               | <b>6,325,235</b> | 8,288,624   |

### **12 Creditors – amounts falling due after more than one year**

|                                                               | <b>2006</b>       | <b>2005</b> |
|---------------------------------------------------------------|-------------------|-------------|
|                                                               | <b>£</b>          | <b>£</b>    |
| Obligations under finance leases and hire purchase agreements | <b>1,197,694</b>  | 1,158,450   |
| Amounts owed to group undertakings                            | <b>9,438,886</b>  | 9,304,657   |
|                                                               | <b>10,636,580</b> | 10,463,107  |

### **13 Obligations under finance leases and hire purchase agreements**

|                                                               | <b>2006</b>      | <b>2005</b> |
|---------------------------------------------------------------|------------------|-------------|
|                                                               | <b>£</b>         | <b>£</b>    |
| Due within one year (included in current liabilities)         | <b>752,599</b>   | 615,561     |
| Repayable between two and five years                          | <b>1,197,694</b> | 1,158,450   |
| Obligations under finance leases and hire purchase agreements | <b>1,950,293</b> | 1,774,011   |

The obligations under finance leases and hire purchase contracts are secured on certain tangible fixed assets of the company

# AESSEAL plc

## 14 Provisions for liabilities and charges

|                                       | Deferred<br>taxation<br>£ |
|---------------------------------------|---------------------------|
| At 1 January 2006                     | 520,000                   |
| Transfer from profit and loss account | -                         |
| <b>At 31 December 2006</b>            | <b>520,000</b>            |

## 15 Deferred taxation

|                                                             | 2006<br>£      | 2005<br>£      |
|-------------------------------------------------------------|----------------|----------------|
| <b>Deferred taxation provided in the accounts comprises</b> |                |                |
| Timing differences                                          |                |                |
| Accelerated capital allowances                              | 520,000        | 525,000        |
| Other timing differences                                    | -              | (5,000)        |
|                                                             | <b>520,000</b> | <b>520,000</b> |

## 16 Called up share capital

|                                   | 2006<br>£ | 2005<br>£ |
|-----------------------------------|-----------|-----------|
| <b>Authorised</b>                 |           |           |
| 50,000 ordinary shares of £1 each | 50,000    | 50,000    |
| <b>Allotted and fully paid</b>    |           |           |
| 50,000 ordinary shares of £1 each | 50,000    | 50,000    |

# AESSEAL plc

## 17 Reserves

|                              | Profit and loss account |
|------------------------------|-------------------------|
|                              | £                       |
| At 1 January 2006            | 6,380,699               |
| Retained profit for the year | 1,197,836               |
| At 31 December 2006          | 7,578,535               |

## 18 Reconciliation of movements in shareholders' funds

| For the year ended 31 December 2006                          | 2006      | 2005      |
|--------------------------------------------------------------|-----------|-----------|
|                                                              | £         | £         |
| Equity interests                                             |           |           |
| Profit for the year and net interests in shareholders' funds | 1,197,836 | 1,430,149 |
| Opening shareholders' funds                                  | 6,430,699 | 5,000,550 |
| Closing shareholders' funds                                  | 7,628,535 | 6,430,699 |

## 19 Capital commitments

|                               | 2006    | 2005 |
|-------------------------------|---------|------|
|                               | £       | £    |
| Authorised and contracted for | 153,973 | -    |

## 20 Leasing commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases expiring as follows

| Land and buildings       | 2006   | 2005   |
|--------------------------|--------|--------|
|                          | £      | £      |
| Within one year          | -      | 950    |
| Within two to five years | 28,321 | 21,560 |
| After five years         | 13,871 | 14,154 |
|                          | 42,192 | 36,664 |

# **AESSEAL plc**

## **21 Pension commitments**

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds.

Contributions payable to the schemes by the company are included in the pension cost charge in respect of the year and amounted to £103,133 (2005: £101,201).

## **22 Related party disclosures**

The company is under the control of AES Engineering Limited. The ultimate controlling party is considered to be Mr C J Rea, by virtue of his shareholding in that company.

Advantage has been taken of the exemption in FRS 8 from disclosing transactions with AES Engineering Limited and other group companies in the AES Group as the company is a 100% subsidiary undertaking of AES Engineering Limited. The company did not enter into any material transactions with the directors during the year.

## **23 Parent undertaking and ultimate controlling party**

AES Engineering Limited is the Company's smallest and largest Parent undertaking and ultimate Holding Company.

Copies of the accounts of AES Engineering Limited can be obtained from the Registered Office at Global Technology Centre, Mill Close, Bradmarsh Business Park, Rotherham S60 1BZ, United Kingdom.

## **24 Commitments on behalf of group companies**

Along with the other group undertakings based in the United Kingdom, the company has given security in favour of HSBC Bank plc against group borrowings by way of an unlimited multilateral company guarantee to secure all liabilities of each other, and a debenture giving fixed and floating charges over assets of the company.

## **25 Approval of accounts**

These accounts were approved and authorised for issue at a directors' meeting held on 14 June 2007.