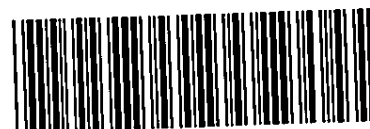


Registered Number 2101607

AESSEAL plc
Annual Report
for the year ended 31 December 2007

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AESSEAL plc
Annual Report
for the year ended 31 December 2007
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AESSEAL plc

Directors and advisers for the year ended 31 December 2007

Directors

H Conger
C J Rea OBE
G W Bridge
R Rea
M O Williams
J Wilkinson
A Roddis
R S Cook
D C Owen
N MacDonald

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
Unit 4
Europa Court
Sheffield Business Park
S9 1XE

AESSEAL plc

Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements of the company for the year ended 31 December 2007

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 (resigned 12 September 2007)

N MacDonald (appointed 1 December 2007)

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

AESSEAL plc

Directors' report for the year ended 31 December 2007 – continued

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.

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 43 days (2006: 39 days).

Fixed assets

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

Charitable donations

The Company gave £12,541 (2006: £10,584) 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.

AESSEAL plc

Directors' report for the year ended 31 December 2007 – continued

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.

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

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
10 June 2008

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 2007 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

Independent auditors' report to the members of AESSEAL plc – continued

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 2007 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, appearing to read 'PricewaterhouseCoopers LLP', is written over the printed name of the firm.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Sheffield
10 June 2008

AESSEAL plc

Profit and loss account for the year ended 31 December 2007

	Note	2007 £	2006 £
Turnover	1	29,659,256	26,955,651
Change in stocks of finished goods		285,430	(165,332)
		29,944,686	26,910,319
Raw materials and consumables		(12,621,705)	(10,687,731)
Staff costs	4	(9,943,355)	(9,281,996)
Depreciation		(1,525,863)	(1,518,169)
Other operating charges		(4,110,704)	(3,652,975)
		(28,201,627)	(25,140,871)
Operating profit		1,743,059	1,649,448
Net interest payable and similar charges	2	(275,730)	(18,361)
Profit on ordinary activities before taxation	3	1,467,329	1,631,087
Tax on profit on ordinary activities	6	(218,831)	(433,251)
Profit for the financial year transferred to reserves	17	1,248,498	1,197,836

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 2007

	Note	2007 £	2006 £
Fixed assets			
Intangible assets	7	908,300	425,578
Tangible assets	8	6,349,532	5,839,430
		7,257,832	6,265,008
Current assets			
Stock	9	8,427,682	7,896,027
Debtors	10	11,129,704	10,165,761
Cash at bank and in hand		304,078	783,554
		19,861,464	18,845,342
Creditors: amounts falling due within one year	11	(8,048,496)	(6,325,235)
Net current assets		11,812,968	12,520,107
Total assets less current liabilities		19,070,800	18,785,115
Creditors : amounts falling due after more than one year	12	(12,673,767)	(10,636,580)
Provisions for liabilities and charges	14	(520,000)	(520,000)
Net assets		5,877,033	7,628,535
Capital and reserves			
Called up share capital	16	50,000	50,000
Profit and loss account	17	5,827,033	7,578,535
Total shareholders' funds	18	5,877,033	7,628,535

The financial statements on pages 7 to 21 were approved by the board of directors on 10 June 2008 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 the period during which the company is expected to benefit.

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.

AESSEAL plc

Statement of accounting policies – continued

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

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 2007

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 and similar charges

	2007 £	2006 £
Interest receivable from other group companies	169,156	178,680
Net exchange (losses)/gains	(40,441)	112,148
Interest payable on hire purchase	(107,045)	(101,595)
Interest payable on bank overdrafts	(294,782)	(207,646)
Other interest (payable)/receivable	(2,618)	52
Net interest payable	(275,730)	(18,361)

AESSEAL plc

3 Profit on ordinary activities before taxation

	2007	2006
	£	£
Operating profit is stated after charging		
Directors' emoluments (see note 5)	858,972	840,079
Depreciation of owned assets	1,025,408	1,091,438
Depreciation of assets held under hire purchase contracts	516,212	451,554
Auditors' remuneration including expenses		
- audit	15,750	15,000
- non-audit services	8,750	10,000
Operating leases - property	81,488	71,825
Research and development costs	1,889,054	2,315,283
Equity settled share based payments	37,886	30,730
After crediting		
Net foreign currency exchange (losses)/gains	(40,441)	112,148
Profit on disposal of fixed assets	15,752	24,823

AESSEAL plc

4 Employee information

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

By activity	2007 Number	2006 Number
Sales engineers	31	34
Management and administration	108	99
Production and stores	211	190
	350	323
Staff costs for the above persons	2007 £	2006 £
Wages and salaries	9,047,643	8,412,311
Social security costs	799,250	766,552
Other pensions costs	96,462	103,133
	9,943,355	9,281,996

5 Directors' emoluments

	2007 £	2006 £
Emoluments including benefits in kind	811,293	794,135
Company pension contributions to money purchase scheme	47,679	45,944
	858,972	840,079

Retirement benefits are accruing to four (2006 four) directors under a money purchase scheme

Highest-paid director	2007 £	2006 £
Emoluments including benefits in kind	137,872	151,463
Company pension contributions to money purchase scheme	18,750	17,250
	156,622	168,713

AESSEAL plc

6 Tax on profit on ordinary activities

	2007	2006
	£	£
Current tax		
UK corporation tax on profits of the year	404,199	481,968
Group relief	(176,983)	-
Adjustments in respect of previous periods	(8,385)	(48,717)
	218,831	433,251
Deferred tax origination and reversal of timing differences	-	-
Tax on profits on ordinary activities	218,831	433,251

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

	2007	2006
	£	£
Profit on ordinary activities before tax	1,467,329	1,631,087
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	440,199	489,326
Effects of		
Expenses not deductible/expenses allowable for tax purposes	41,000	28,042
Capital allowances in excess of depreciation for the year	(21,000)	15,600
Group relief	(176,983)	-
Other reliefs	(56,000)	(51,000)
Over provision in prior year	(8,385)	(48,717)
Current tax charge for the year	218,831	433,251

AESSEAL plc

7 Intangible fixed assets

	Deferred development expenditure
	£
Cost	
At 1 January 2007	425,578
Additions	482,722
At 31 December 2007	908,300
Net book value	
At 31 December 2007	908,300
At 31 December 2006	425,578

8 Tangible fixed assets

	Land and buildings	Plant, fixtures and equipment	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 January 2007	50,730	14,634,397	907,828	15,592,955
Additions		2,121,686	139,939	2,261,625
Disposals		(1,608,447)	(54,036)	(1,662,483)
At 31 December 2007	50,730	15,147,636	993,731	16,192,097
Accumulated depreciation				
At 1 January 2007	50,730	9,208,371	494,424	9,753,525
Charge for the year	-	1,346,774	194,846	1,541,620
Disposals	-	(1,405,573)	(47,007)	(1,452,580)
At 31 December 2007	50,730	9,149,572	642,263	9,842,565
Net book amount				
At 31 December 2007	-	5,998,064	351,468	6,349,532
At 31 December 2006	-	5,426,026	413,404	5,839,430

AESSEAL plc

8 Tangible fixed assets – continued

The cost of depreciable assets included in land and buildings at 31 December 2007 was £50,730 (2006 £50,730)

The net book value of tangible fixed assets includes an amount of £2,594,787 (2006 £2,411,758) in respect of assets held under hire purchase contracts or finance leases

9 Stocks

	2007 £	2006 £
Raw materials and consumables	1,478,206	1,231,981
Finished goods and goods for resale	6,949,476	6,664,046
	8,427,682	7,896,027

10 Debtors

	2007 £	2006 £
Trade debtors	2,811,628	2,407,771
Amounts owed by group undertakings	7,967,413	7,290,901
Other debtors	29,179	184,230
Prepayments and accrued income	321,484	282,859
	11,129,704	10,165,761

AESSEAL plc

11 Creditors – amounts falling due within one year

	2007	2006
	£	£
Bank overdrafts	3,508,240	2,756,970
Obligations under finance leases and hire purchase agreements	814,277	752,599
Trade creditors	2,367,645	1,615,226
Amounts owed to group undertakings	428,147	160,501
Corporate tax payable	6,943	68,704
Other taxes and social security	138,869	266,792
Accruals and deferred income	784,375	704,443
	8,048,496	6,325,235

12 Creditors – amounts falling due after more than one year

	2007	2006
	£	£
Obligations under finance leases and hire purchase agreements	1,275,518	1,197,694
Amounts owed to group undertakings	11,398,249	9,438,886
	12,673,767	10,636,580

13 Obligations under finance leases and hire purchase agreements

	2007	2006
	£	£
Due within one year (included in current liabilities)	814,277	752,599
Repayable between two and five years	1,275,518	1,197,694
Obligations under finance leases and hire purchase agreements	2,089,795	1,950,293

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 taxation £
At 1 January 2007	520,000
Transfer from profit and loss account	-
At 31 December 2007	520,000

15 Deferred taxation

	2007 £	2006 £
Deferred taxation provided in the accounts comprises		
Timing differences		
Accelerated capital allowances	525,000	525,000
Other timing differences	(5,000)	(5,000)
	520,000	520,000

16 Called up share capital

	2007 £	2006 £
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
Allotted and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000

AESSEAL plc

17 Reserves

	Profit and loss account
	£
At 1 January 2007	7,578,535
Retained profit for the year	1,248,498
Dividend paid	(3,000,000)
At 31 December 2007	5,827,033

18 Reconciliation of movements in shareholders' funds

For the year ended 31 December 2007	2007	2006
	£	£
Equity interests		
Profit for the year and net interests in shareholders' funds	(1,751,502)	1,197,836
Opening shareholders' funds	7,628,535	6,430,699
Closing shareholders' funds	5,877,033	7,628,535

19 Capital commitments

	2007	2006
	£	£
Authorised and contracted for	754,114	153,973

AESSEAL plc

20 Leasing commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases expiring as follows

Land and buildings	2007 £	2006 £
Within one year	9,467	-
Within two to five years	13,928	28,321
After five years	14,111	13,871
	37,507	42,192

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 £96,462 (2006: £103,133).

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.

AESSEAL plc

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 10 June 2008