

Registered Number 2101607

AESSEAL plc
Annual Report
for the year ended 31 December 2008

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AESSEAL plc
Annual Report
for the year ended 31 December 2008
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AESSEAL plc

Directors and advisers

Directors

C J Rea OBE

R Rea

M O Williams

J Wilkinson

A Roddis

R S Cook

D C Owen

S M Shaw

T R Pickles

J H Stewart

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

Unit 4, Europa Court

Sheffield Business Park

Sheffield

S9 1XE

AESSEAL plc

Directors' report for the year ended 31 December 2008

The directors present their report and the audited financial statements of the company for the year ended 31 December 2008.

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 an acceptable level of performance going forward.

The directors of AES Engineering Limited, the ultimate parent company, 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 of AES Engineering Limited's Annual Report 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 (2007: £3,000,000).

Directors and their interests

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

H Conger	(resigned 31 March 2009)
C J Rea OBE	
G W Bridge	(resigned 31 March 2009)
R Rea	
M O Williams	
J Wilkinson	
A Roddis	
R S Cook	
D C Owen	
N A Macdonald	(resigned 31 March 2009)
S M Shaw	(appointed 1 April 2008)
T R Pickles	(appointed 1 November 2008)
J H Stewart	(appointed 6 March 2009)

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.

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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 42 days (2007: 43 days).

Fixed assets

Details of changes in tangible fixed assets are given in note 9 to the financial statements.

Charitable donations

The Company gave £11,809 (2007: £12,541) 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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting documentation or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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

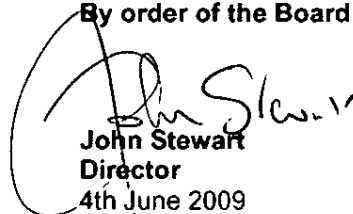
Disclosure of information to auditors

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



John Stewart
Director
4th June 2009

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Independent auditors' report to the members of AESSEAL plc

We have audited the financial statements of AESSEAL plc for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the statement of accounting policies 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.

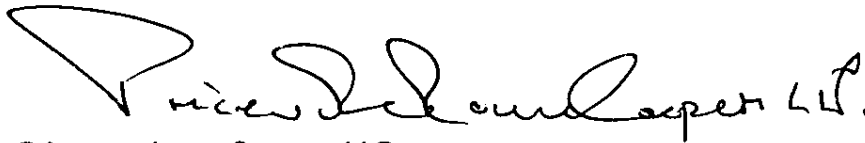
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

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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 2008 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 a large, stylized, abstract shape that resembles a triangle or a stylized 'P'.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Sheffield
4th June 2009

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Profit and loss account for the year ended 31 December 2008

	Note	2008 £	2007 £
Turnover	1	31,651,940	29,659,256
Change in stocks of finished goods		623,722	285,430
		32,275,662	29,944,686
Raw materials and consumables		(13,055,479)	(12,621,705)
Staff costs	5	(11,210,349)	(9,943,355)
Depreciation and amortisation		(1,828,310)	(1,525,863)
Other operating charges		(4,340,146)	(4,151,145)
		(30,434,284)	(28,242,068)
Operating profit before exceptional operating items		1,841,378	1,702,618
Exceptional operating items	4	(610,851)	-
Operating profit	3	1,230,527	1,702,618
Net interest payable and similar charges	2	(897,915)	(235,289)
Profit on ordinary activities before taxation		332,612	1,467,329
Tax on profit on ordinary activities	7	(65,626)	(218,831)
Profit for the financial year	18	266,986	1,248,498

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 financial year stated above and their historical cost equivalents.

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Balance sheet as at 31 December 2008

	Note	2008 £	2007 £
Fixed assets			
Intangible assets	8	718,971	908,300
Tangible assets	9	7,422,782	6,349,532
		8,141,753	7,257,832
Current assets			
Stock	10	9,010,690	8,427,682
Debtors	11	6,926,802	11,129,704
Cash at bank and in hand		583,498	304,078
		16,520,990	19,861,464
Creditors: amounts falling due within one year	12	(7,294,105)	(8,048,496)
Net current assets		9,226,885	11,812,968
Total assets less current liabilities		17,368,638	19,070,800
Creditors: amounts falling due after more than one year	13	(10,774,619)	(12,673,767)
Provisions for liabilities and charges	15	(450,000)	(520,000)
Net assets		6,144,019	5,877,033
Capital and reserves			
Called up share capital	17	50,000	50,000
Profit and loss account	18	6,094,019	5,827,033
Total shareholders' funds	19	6,144,019	5,877,033

The financial statements on pages 7 to 21 were approved by the board of directors on 4th June 2009 and were signed on its behalf by:



C J Rea OBE
Director

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Statement of accounting policies

Basis of preparation of accounts

The financial statements have been prepared on a going concern basis 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 represent 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 is amortised over the period during which the company is expected to benefit.

Regular impairment reviews are carried out and where applicable adjustment is made to the carrying value.

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

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value is based on estimated selling price less further costs to completion and selling costs. Provision is made for slow moving and obsolete stock.

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. Where there are related or matched forward contracts in respect of trading transactions, the rates of exchange specified in those contracts are used. 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 FRS 20 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 financial statements, only the expense charged to the profit and loss account for the year is disclosed (note 3). The other disclosures required under FRS 20 are included in the financial statements of the parent company, AES Engineering Limited.

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Notes to the financial statements for the year ended 31 December 2008

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

	2008	2007
	£	£
Interest (payable to)/receivable from other group companies	(617,833)	169,156
Interest payable on hire purchase obligations and finance leases	(122,316)	(107,045)
Interest payable on bank overdrafts	(154,213)	(294,782)
Other interest payable	(3,553)	(2,618)
Net interest payable	(897,915)	(235,289)

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3 Operating profit

	2008	2007
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation of owned fixed assets	832,655	1,025,408
Depreciation of fixed assets held under hire purchase contracts	807,707	516,212
Amortisation of intangible fixed assets	187,948	-
Auditors' remuneration including expenses		
- audit	16,500	15,750
- non-audit services	11,450	8,750
Operating leases - property	75,722	81,488
Research and development costs	1,987,598	1,889,054
Equity settled share based payments	51,184	37,886
After crediting:		
Net foreign currency exchange gains/(losses)	94,340	(40,441)
Profit on disposal of fixed assets	58,813	15,752

4 Exceptional operating items

	2008	2007
	£	£
Impairment of intangible fixed assets (note 8)	610,851	-

As the company's investment in its own dry gas seal technology is now showing tangible benefits, the historic external expenditure in third party technology has become less relevant. Following an impairment review the residual balance of the external expenditure has been written off.

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5 Employee information

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

By activity	2008 Number	2007 Number
Sales engineers	29	31
Management and administration	111	108
Production and stores	228	211
	368	350

Staff costs for the above persons were:	2008 £	2007 £
Wages and salaries	10,187,610	9,047,643
Social security costs	902,891	799,250
Other pensions costs	119,848	96,462
	11,210,349	9,943,355

6 Directors' emoluments

	2008 £	2007 £
Emoluments including benefits in kind	941,963	811,293
Company pension contributions to money purchase scheme	61,242	47,679
	1,003,205	858,972

Retirement benefits are accruing to four (2007: four) directors under a money purchase scheme.

Highest-paid director	2008 £	2007 £
Emoluments including benefits in kind	137,872	137,872
Company pension contributions to money purchase scheme	18,750	18,750
	156,622	156,622

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During the year 3 directors, G W Bridge, J Wilkinson and R S Cook, exercised share options in AES Engineering Limited, the ultimate parent undertaking. Details of the transaction in respect of G W Bridge are included in the financial statements of AES Engineering Limited.

J Wilkinson and R S Cook exercised 1,168 and 617 share options respectively at an average price of £42.94 and £48.69 each respectively. In both cases, these shares were subsequently sold to the employee share ownership trust of AES Engineering Limited at a price of £100.09 each.

7 Tax on profit on ordinary activities

	2008 £	2007 £
Current tax:		
UK corporation tax on profits of the year	221,787	404,199
Group relief	(120,277)	(176,983)
Adjustments in respect of previous periods	34,116	(8,385)
	135,626	218,831
Deferred tax: origination and reversal of timing differences	(70,000)	-
Tax on profits on ordinary activities	65,626	218,831

The tax charged on the profit for the year is higher (2007: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	332,612	1,467,329
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28.5% (2007: 30%)	94,794	440,199
Effects of:		
Expenses not deductible for tax purposes	26,993	41,000
Capital allowances and other timing differences	154,000	(21,000)
Group relief	(120,277)	(176,983)
Other reliefs	(54,000)	(56,000)
Over provision in prior year	34,116	(8,385)
Current tax charge for the year	135,626	218,831

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8 Intangible fixed assets

	Deferred development expenditure £
Cost	
At 1 January 2008	908,300
Additions	609,470
At 31 December 2008	1,517,770
Accumulated depreciation	
At 1 January 2008	-
Charge for the year	187,948
Impairment	610,851
At 31 December 2008	798,799
Net book value	
At 31 December 2008	718,971
At 31 December 2007	908,300

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9 Tangible fixed assets

	Land and buildings	Plant, fixtures and equipment	Motor vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 January 2008	50,730	15,147,636	993,731	16,192,097
Additions	-	2,698,218	184,349	2,882,567
Disposals	-	(328,359)	(292,967)	(621,326)
At 31 December 2008	50,730	17,517,495	885,113	18,453,338
Accumulated depreciation				
At 1 January 2008	50,730	9,149,572	642,263	9,842,565
Charge for the year	-	1,461,470	178,892	1,640,362
Disposals	-	(190,573)	(261,798)	(452,371)
At 31 December 2008	50,730	10,420,469	559,357	11,030,556
Net book amount				
At 31 December 2008	-	7,097,026	325,756	7,422,782
At 31 December 2007	-	5,998,064	351,468	6,349,532

The cost of depreciable assets included in land and buildings at 31 December 2008 was £50,730 (2007: £50,730).

The net book value of tangible fixed assets includes an amount of £2,903,532 (2007: £2,594,787) in respect of assets held under hire purchase contracts or finance leases.

10 Stocks

	2008 £	2007 £
Raw materials and consumables	1,437,492	1,478,206
Finished goods and goods for resale	7,573,198	6,949,476
	9,010,690	8,427,682

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11 Debtors

	2008	2007
	£	£
Trade debtors	2,974,497	2,811,628
Amounts owed by group undertakings	3,071,079	7,967,413
Other debtors	424,143	29,179
Corporation tax receivable	95,686	-
Prepayments and accrued income	361,397	321,484
	6,926,802	11,129,704

12 Creditors – amounts falling due within one year

	2008	2007
	£	£
Bank overdrafts	2,267,200	3,508,240
Obligations under finance leases and hire purchase agreements	798,228	814,277
Trade creditors	1,961,311	2,367,645
Amounts owed to group undertakings	738,067	428,147
Corporate tax payable	-	6,943
Other taxes and social security	300,693	138,869
Accruals and deferred income	1,228,606	784,375
	7,294,105	8,048,496

13 Creditors – amounts falling due after more than one year

	2008	2007
	£	£
Obligations under finance leases and hire purchase agreements	1,452,114	1,275,518
Amounts owed to group undertakings	9,322,505	11,398,249
	10,774,619	12,673,767

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14 Obligations under finance leases and hire purchase agreements

The future minimum lease payments under finance leases and hire purchase agreements are as follows:

	2008	2007
	£	£
Due within one year	812,268	852,859
In more than one year, but not more than five years	1,537,326	1,339,733
Total gross payments	2,349,594	2,192,592
Less finance charges included above	(99,252)	(102,797)
	2,250,342	2,089,795

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

15 Provisions for liabilities and charges

	Deferred taxation liability
	£
At 1 January 2008	520,000
Transfer from profit and loss account	(70,000)
At 31 December 2008	450,000

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16 Deferred taxation

	2008	2007
	£	£
Deferred taxation provided in the accounts comprises		
Timing differences:		
Accelerated capital allowances	455,000	525,000
Other timing differences	(5,000)	(5,000)
	450,000	520,000

17 Called up share capital

	2008	2007
	£	£
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

18 Reserves

	Profit and loss account
	£
At 1 January 2008	5,827,033
Retained profit for the year	266,986
At 31 December 2008	6,094,019

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19 Reconciliation of movements in shareholders' funds

For the year ended 31 December 2008	2008 £	2007 £
Equity interests		
Profit for the year	266,986	1,248,498
Dividends	-	(3,000,000)
Net increase/(decrease) in shareholders' funds	266,986	(1,751,502)
Opening shareholders' funds	5,877,033	7,628,535
Closing shareholders' funds	6,144,019	5,877,033

20 Capital commitments

	2008 £	2007 £
Authorised and contracted for	285,128	754,114

21 Leasing commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases expiring as follows:

Land and buildings	2008 £	2007 £
Within one year	3,482	9,467
Within two to five years	61,794	13,928
After five years	-	14,111
	65,276	37,506

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22 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.

Outstanding contributions payable to the schemes by the company are included in the pension cost charge in respect of the year and amounted to £31,282 (2007: £17,688).

23 Related party disclosures

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.

24 Parent undertaking and ultimate controlling party

The ultimate parent undertaking is AES Engineering Limited, a company incorporated in Great Britain.

Copies of the consolidated financial statements 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

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

25 Contingent liability

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. At 31 December 2008 borrowings covered by these guarantees amounted to £31,493,191 (2007: £17,883,963).

In the opinion of the directors, no loss will arise in respect of this matter.

26 Approval of accounts

These accounts were approved and authorised for issue at a directors' meeting held on 4th June 2009.