

REGISTERED NUMBER: 3116069 (England and Wales)

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006
FOR
M F SEALING SYSTEMS LIMITED**

TUESDAY



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M F SEALING SYSTEMS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2006**

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M F SEALING SYSTEMS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2006

| | |
|------------------------------|--|
| DIRECTORS | Mr J Turner Mr J Nanos |
| SECRETARY: | Mr J Turner |
| REGISTERED OFFICE | Flowserve Burrell Road Haywards Heath West Sussex RH16 1TL |
| REGISTERED NUMBER: | 3116069 (England and Wales) |
| INDEPENDENT AUDITORS. | PricewaterhouseCoopers LLP Chartered Accountants & Registered Auditors First Point Buckingham Gate Gatwick RH6 0PP |
| SOLICITORS | Addleshaw Goddard 100 Barbirolli Square Manchester M2 3AB |

M F SEALING SYSTEMS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2006

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

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of supply and repair of mechanical seals and pumps

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements

The business mainly provides services to the Teesside chemical industry

A broad range of services are offered to customers including,

- Repair and maintenance of pumps and parts supply
- Overhaul and supply of mechanical seals
- Maintenance of glass agitators and vessels

2006 has seen an increase in its pump repair business

Strategy

M F Sealing Systems Limited continues to market its ability to offer a wide package of services. The provision of pump, seal and glass services under one roof gives significant competitive advantage

Future outlook

Management is optimistic that future investment in the chemical industry will provide opportunities for further organic growth. A number of major investments are planned in the future which should provide the opportunity for the business in its niche field i.e. the higher volume small to medium sized pump market

Principal risks and uncertainties

The key business risks affecting the company together with their mitigation are set out below

1 Competition

There is strong competition from both large UK companies and small local companies. Due to the unique offering of services M F Sealing Systems Limited is able to offer a niche solution in a single package

2 The general uncertainties in the UK manufacturing industries which are the main customer base

DIVIDENDS

An interim dividend of 87p per share (2005 99p per share) on the Ordinary £1 shares was paid on 20 March 2006. The directors recommend that no final dividend be paid on these shares (2005 £nil)

No interim dividend was paid on the "A" Ordinary £1 shares (2005 £3,312). The directors recommend that no final dividend be paid on these shares

The total distribution of dividends for the year ended 31 December 2006 will be £13,000 (2005 £18,133)

M F SEALING SYSTEMS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2006

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements, see note 23

DIRECTORS

The directors during the year under review were

Mr I Watson
Mrs P Watson

Change of directors

Mr I Watson and Mrs P Watson resigned as directors on 17 July 2007. Mr J Turner and Mr J Nanos were appointed as directors on 17 July 2007.

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 these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 assumptions or qualifications as necessary.

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

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

STATEMENT ON DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the directors at the date of approval are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken 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.

M F SEALING SYSTEMS LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2006

DONATIONS

During the year the company made the following contributions

| | 31 December 2006 £ | 31 December 2005 £ |
|------------|--------------------------|--------------------------|
| Charitable | <u>225</u> | <u>3,100</u> |

INDEPENDENT AUDITORS

The auditor, Mr N I Coulthard resigned on 18 July 2007 PricewaterhouseCoopers LLP were appointed as auditors in accordance with Section 386 of the Company Act 1985

ON BEHALF OF THE BOARD



Mr J Turner - Director

Date 23 November 2007

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF M F SEALING SYSTEMS LIMITED

We have audited the financial statements of M F Sealing Systems Limited 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 Report of the Directors 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 judgements 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.

However, the evidence available to us was limited because

- We were not appointed auditors of the company until after the company's accounting period end and in consequence did not observe the company's stocktaking procedures at 31 December 2005 or 31 December 2006.
- Sufficient accounting records relating to the valuation or recoverable amount of stock or the existence or accuracy of trade creditors have also not been made available to us.

We have been unable to satisfy ourselves by other auditing procedures that stocks and trade creditors shown in the balance sheets at 31 December 2005 and 31 December 2006 are fairly stated. Any adjustment to these figures could affect the profit/loss for the years ended 31 December 2005 and 31 December 2006.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
M F SEALING SYSTEMS LIMITED (continued)**

Qualified opinion arising from limitation on audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence regarding the matters referred to above, in our opinion

- The financial statements give a true and fair view of the state of the company's affairs at 31 December 2006 and of its loss for the year then ended, and
- The financial statements have been properly prepared in accordance with the Companies Act 1985

In respect alone of the limitations on our work referred to above

- We have not obtained all the information and explanations that we considered necessary for the purpose of audit, and
- We were unable to determine whether proper accounting records had been maintained

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



PricewaterhouseCoopers LLP
Chartered Accountants & Registered Auditors
Gatwick

Date 12 December 2007

M F SEALING SYSTEMS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

| | | <u>31 December 2006</u> | <u>31 December 2005</u> |
|---|-------|-------------------------|-------------------------|
| | Notes | £ | £ |
| TURNOVER | 3 | 2,062,823 | 1,722,376 |
| Cost of sales | | <u>(1,085,492)</u> | <u>(944,225)</u> |
| GROSS PROFIT | | 977,331 | 778,151 |
| Administrative expenses – non exceptional | | (794,564) | (622,682) |
| Administrative expenses – exceptional pension charge | 2 | <u>(225,000)</u> | - |
| Total administrative expenses | | <u>(1,019,564)</u> | <u>(622,682)</u> |
| | | (42,233) | 155,469 |
| Other operating income | | <u>18,614</u> | <u>3,481</u> |
| OPERATING (LOSS)/PROFIT | 4 | (23,619) | 158,950 |
| Interest receivable and similar income | 5 | 31 | 184 |
| Interest payable and similar charges | 6 | <u>(106,329)</u> | <u>(64,982)</u> |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (129,917) | 94,152 |
| Tax on (loss)/profit on ordinary activities | 7 | <u>(36,534)</u> | <u>(15,594)</u> |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | (166,451) | 78,558 |
| Retained profit brought forward | | <u>180,021</u> | <u>119,696</u> |
| | | 13,570 | 198,254 |
| Dividends | 8 | <u>(13,000)</u> | <u>(18,233)</u> |
| RETAINED PROFIT CARRIED FORWARD | | <u>£570</u> | <u>£180,021</u> |

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year

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

M F SEALING SYSTEMS LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2006**

| | | <u>31 December 2006</u> | | <u>31 December 2005</u> | |
|--|-------|-------------------------|-----------------------|-------------------------|------------------------|
| | Notes | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Intangible assets | 9 | | 15,847 | | 25,843 |
| Tangible assets | 10 | | <u>812,446</u> | | <u>832,051</u> |
| | | | 828,293 | | 857,894 |
| CURRENT ASSETS | | | | | |
| Stocks | 11 | 916,799 | | 690,753 | |
| Debtors | 12 | 685,789 | | 607,767 | |
| Cash at bank and in hand | | <u>3,306</u> | | <u>2,487</u> | |
| | | 1,605,894 | | 1,301,007 | |
| CREDITORS: Amounts falling due within one year | 13 | <u>(1,463,267)</u> | | <u>(1,463,184)</u> | |
| NET CURRENT ASSETS/(LIABILITIES) | | | <u>142,627</u> | | <u>(162,177)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 970,920 | | 695,717 |
| CREDITORS: Amounts falling due after more than one year | 14 | | (890,638) | | (450,696) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 18 | | <u>(14,712)</u> | | <u>-</u> |
| NET ASSETS | | | <u><u>£65,570</u></u> | | <u><u>£245,021</u></u> |
| CAPITAL AND RESERVES: | | | | | |
| Called up share capital | 19 | | 17,857 | | 17,857 |
| Share premium | 20 | | 22,143 | | 22,143 |
| Capital redemption reserve | 21 | | 25,000 | | 25,000 |
| Profit and loss account | | | <u>570</u> | | <u>180,021</u> |
| TOTAL SHAREHOLDERS' FUNDS | 26 | | <u><u>£65,570</u></u> | | <u><u>£245,021</u></u> |

The financial statements were approved by the Board of Directors on 23 November 2007 and were signed on its behalf by



Mr J Turner - Director

M F SEALING SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES

FRS20

FRS 20 "Share based payments" became effective in the current year, although there has been no impact on adoption of this new standard

Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax. Turnover is recognised on dispatch of goods, provision of repair services or otherwise in accordance with contractual terms

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2003, is being written off evenly over its estimated useful life of five years

Cash flow

The company has taken advantage of the exemption in FRS 1 "Cash flow statements (revised 1996)" from the requirement to present a cash flow statement on the grounds that it is a small company

Tangible fixed assets

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter

| | |
|-----------------------|---|
| Leasehold property | - in accordance with the property |
| Freehold Buildings | - 2% on cost |
| Plant and machinery | - 25% on reducing balance, 15% on reducing balance, 2.5% on cost and 2.5% on reducing balance |
| Fixtures and fittings | - 15% on reducing balance and 10% on reducing balance |
| Motor vehicles | - 25% on reducing balance |
| Computer equipment | - 33% on reducing balance |

Stocks

Stock and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads

Work in progress consists of partly completed service and repair jobs and includes direct labour and subcontractor costs

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

M F SEALING SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES (CONTINUED)

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company participates in a number of defined contribution pension schemes. Contributions payable for the year are charged to the profit and loss account.

Government Grants

Government Grants are being released to the profit and loss account over a period of three years.

Debt factoring

Trade debtors are factored with full recourse. Advances from factors are shown separately under creditors falling due within one year.

Dividends

Dividends are charged to the profit and loss account in the period in which they are paid. No provision is made for proposed dividends.

2 STAFF COSTS

| | 31 December 2006 £ | 31 December 2005 £ |
|-----------------------|--------------------------|--------------------------|
| Wages and salaries | 762,132 | 587,017 |
| Social security costs | 70,217 | 56,982 |
| Other pension costs | 272,318 | 46,231 |
| | <u>1,104,667</u> | <u>690,230</u> |

The average monthly number of employees during the year was as follows

| | 31 December 2006 | 31 December 2005 |
|----------------|---------------------|---------------------|
| Operations | 18 | 17 |
| Administration | <u>12</u> | <u>9</u> |
| | <u>30</u> | <u>26</u> |

| | 31 December 2006 £ | 31 December 2005 £ |
|--|--------------------------|--------------------------|
| Aggregate Directors' emoluments | <u>28,780</u> | <u>28,409</u> |
| Value of company pension contributions to money purchase schemes | <u>233,842</u> | <u>8,842</u> |
| Number of directors to whom the retirement benefits are accruing | <u>2</u> | <u>2</u> |

M F SEALING SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

2 STAFF COSTS (CONTINUED)

Company pension contributions to money purchase schemes for the year ended 31 December 2006 include an exceptional charge of £225,000 paid on behalf of the directors holding office during the year under review. This amount was paid after the end of the year and is included within accrued expenses, under creditors falling due within one year.

3 TURNOVER

The company has only one class of business, all in the UK.

4 OPERATING (LOSS)/PROFIT

The operating loss (2005 - operating profit) is stated after charging

| | 31 December 2006 £ | 31 December 2005 £ |
|--|--------------------------|--------------------------|
| Hire of plant and machinery | 32,369 | 24,620 |
| Other operating leases | 14,924 | 10,426 |
| Depreciation - owned assets | 29,938 | 16,650 |
| Depreciation - assets on hire purchase contracts or finance leases | 7,463 | 11,265 |
| Goodwill written off | 9,996 | 9,996 |
| Auditors' remuneration | <u>15,000</u> | <u>3,000</u> |

5 INTEREST RECEIVABLE AND SIMILAR INCOME

| | 31 December 2006 £ | 31 December 2005 £ |
|----------------------|--------------------------|--------------------------|
| Bank deposit account | <u>31</u> | <u>184</u> |

6 INTEREST PAYABLE AND SIMILAR CHARGES

| | 31 December 2006 £ | 31 December 2005 £ |
|-----------------------|--------------------------|--------------------------|
| Bank interest | 27,080 | 30,282 |
| Loan interest | 75,716 | 31,213 |
| Hire purchase charges | <u>3,533</u> | <u>3,487</u> |
| | <u>106,329</u> | <u>64,982</u> |

M F SEALING SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

7 TAXATION

Analysis of the tax charge

The tax charge on the loss on ordinary activities for the year was as follows

| | 31 December 2006 £ | 31 December 2005 £ |
|---|--------------------------|--------------------------|
| Current tax | | |
| UK corporation tax | 22,154 | 15,594 |
| Overpayment in respect of prior year | <u>(332)</u> | <u>-</u> |
| Total current tax | 21,822 | 15,594 |
| Deferred taxation | <u>14,712</u> | <u>-</u> |
| Tax on (loss)/profit on ordinary activities | <u><u>36,534</u></u> | <u><u>15,594</u></u> |

Reconciliation of Profit & Loss Tax Charge

| | 31 December 2006 £ | 31 December 2005 £ |
|---|--------------------------|--------------------------|
| (Loss)/profit on ordinary activities before tax | (129,917) | 94,152 |
| (Loss)/profit on ordinary activities before tax at the UK small company corporation tax rate of 19% (2005 19%) | (24,684) | 17,889 |
| Effects of | | |
| Disallowable expenses | 50,719 | 6,166 |
| Excess of capital allowances over depreciation | (3,972) | (11,503) |
| Other timing differences | 91 | - |
| Adjustments to tax charge in respect of previous years | <u>(332)</u> | <u>3,042</u> |
| Corporation tax charge for the year | <u><u>21,822</u></u> | <u><u>15,594</u></u> |

8. DIVIDENDS

| | 31 December 2006 £ | 31 December 2005 £ |
|--|--------------------------|--------------------------|
| Equity shares | | |
| Ordinary shares of £1 each | | |
| Interim dividend of 87p per share (2005 99p per share) | 13,000 | 14,921 |
| "A" Ordinary shares of £1 each | | |
| Profit related dividend of £nil per share (2005 £1 16 per share) | <u>-</u> | <u>3,312</u> |
| | <u><u>13,000</u></u> | <u><u>18,233</u></u> |

M F SEALING SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

9 INTANGIBLE FIXED ASSETS

| | <u>Goodwill</u> |
|------------------------|-----------------|
| | £ |
| COST: | |
| At 1 January 2006 | |
| and 31 December 2006 | <u>50,000</u> |
| AMORTISATION | |
| At 1 January 2006 | 24,157 |
| Charge for year | <u>9,996</u> |
| At 31 December 2006 | <u>34,153</u> |
| NET BOOK AMOUNT | |
| At 31 December 2006 | <u>15,847</u> |
| At 31 December 2005 | <u>25,843</u> |

10 TANGIBLE FIXED ASSETS

| | <u>Leasehold property</u> | <u>Freehold buildings</u> | <u>Plant and machinery</u> |
|----------------------------------|-------------------------------|-------------------------------|--------------------------------|
| | £ | £ | £ |
| COST | | | |
| At 1 January 2006 | 50,000 | 603,748 | 160,421 |
| Additions | <u>-</u> | <u>-</u> | <u>9,095</u> |
| At 31 December 2006 | <u>50,000</u> | <u>603,748</u> | <u>169,516</u> |
| ACCUMULATED DEPRECIATION: | | | |
| At 1 January 2006 | 35 | 4,162 | 54,261 |
| Charge for year | <u>420</u> | <u>12,072</u> | <u>11,124</u> |
| At 31 December 2006 | <u>455</u> | <u>16,234</u> | <u>65,385</u> |
| NET BOOK AMOUNT: | | | |
| At 31 December 2006 | <u>49,545</u> | <u>587,514</u> | <u>104,131</u> |
| At 31 December 2005 | <u>49,965</u> | <u>599,586</u> | <u>106,162</u> |

M F SEALING SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

10. TANGIBLE FIXED ASSETS (CONTINUED)

| | Fixtures and fittings | Motor vehicles | Computer equipment | Totals |
|----------------------------------|-----------------------------|-------------------|-----------------------|----------------|
| | £ | £ | £ | £ |
| COST: | | | | |
| At 1 January 2006 | 61,199 | 68,891 | 33,998 | 978,257 |
| Additions | <u>4,863</u> | <u>-</u> | <u>3,840</u> | <u>17,798</u> |
| At 31 December 2006 | <u>66,062</u> | <u>68,891</u> | <u>37,838</u> | <u>996,055</u> |
| ACCUMULATED DEPRECIATION: | | | | |
| At 1 January 2006 | 15,086 | 43,006 | 29,658 | 146,208 |
| Charge for year | <u>5,388</u> | <u>6,468</u> | <u>1,929</u> | <u>37,401</u> |
| At 31 December 2006 | <u>20,474</u> | <u>49,474</u> | <u>31,587</u> | <u>183,609</u> |
| NET BOOK AMOUNT | | | | |
| At 31 December 2006 | <u>45,588</u> | <u>19,417</u> | <u>6,251</u> | <u>812,446</u> |
| At 31 December 2005 | <u>46,113</u> | <u>25,885</u> | <u>4,340</u> | <u>832,051</u> |

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows

| | Plant and machinery | Motor vehicles | Totals |
|----------------------------------|------------------------|-------------------|----------------|
| | £ | £ | £ |
| COST: | | | |
| At 1 January 2006 | 63,823 | 38,461 | 102,284 |
| Additions | <u>6,261</u> | <u>-</u> | <u>6,261</u> |
| At 31 December 2006 | <u>70,084</u> | <u>38,461</u> | <u>108,545</u> |
| ACCUMULATED DEPRECIATION: | | | |
| At 1 January 2006 | 20,170 | 25,555 | 45,725 |
| Charge for year | <u>4,237</u> | <u>3,226</u> | <u>7,463</u> |
| At 31 December 2006 | <u>24,407</u> | <u>28,781</u> | <u>53,188</u> |
| NET BOOK AMOUNT | | | |
| At 31 December 2006 | <u>45,677</u> | <u>9,680</u> | <u>55,357</u> |
| At 31 December 2005 | <u>43,653</u> | <u>12,906</u> | <u>56,559</u> |

M F SEALING SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

11 STOCKS

| | 31 December 2006 £ | 31 December 2005 £ |
|--------------------------------|--------------------------|--------------------------|
| Finished goods held for resale | 746,799 | 601,753 |
| Work in progress | <u>170,000</u> | <u>89,000</u> |
| | <u>916,799</u> | <u>690,753</u> |

**12 DEBTORS. AMOUNTS FALLING
DUE WITHIN ONE YEAR**

| | 31 December 2006 £ | 31 December 2005 £ |
|---------------|--------------------------|--------------------------|
| Trade debtors | 645,782 | 570,810 |
| Other debtors | 5,790 | 5,431 |
| Prepayments | <u>34,217</u> | <u>31,526</u> |
| | <u>685,789</u> | <u>607,767</u> |

**13 CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

| | 31 December 2006 £ | 31 December 2005 £ |
|---|--------------------------|--------------------------|
| Bank overdraft (see note 15) | 81,775 | 237,958 |
| Pension Scheme loan (see note 15) | 15,000 | 10,000 |
| UK Steel Enterprise Ltd loan (see note 15) | 97,869 | 79,420 |
| Bank loan (see note 15) | 36,751 | 60,938 |
| Trade creditors | 357,302 | 525,340 |
| Directors current accounts | 60,947 | 120,634 |
| Hire purchase | 15,281 | 19,081 |
| Debt factoring advances | 328,133 | 254,751 |
| Other creditors | 21,632 | 27,784 |
| Social security & other taxes | 99,855 | 63,726 |
| Corporation tax | 34,706 | 31,484 |
| Accrued expenses | 294,012 | 20,404 |
| Deferred government grants | <u>20,004</u> | <u>11,664</u> |
| | <u>1,463,267</u> | <u>1,463,184</u> |

M F SEALING SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

**14 CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

| | 31 December 2006 £ | 31 December 2005 £ |
|---|--------------------------|--------------------------|
| Pension Scheme loan (see note 15) | 10,000 | 15,000 |
| UK Steel Enterprise Ltd loan (see note 15) | 12,537 | 60,405 |
| Bank loan (see note 15) | 834,162 | 330,031 |
| Hire purchase | 15,473 | 24,840 |
| Deferred government grants | <u>18,466</u> | <u>20,420</u> |
| | <u>890,638</u> | <u>450,696</u> |

15 LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below

| | 31 December 2006 £ | 31 December 2005 £ |
|--|--------------------------|--------------------------|
| Amounts falling due within one year or on demand | | |
| Bank overdraft | 81,775 | 237,958 |
| Pension Scheme loan | 15,000 | 10,000 |
| UK Steel Enterprise Ltd loan | 97,869 | 79,420 |
| Bank loan | <u>36,751</u> | <u>60,938</u> |
| | <u>231,395</u> | <u>388,316</u> |

Amounts falling due between two and five years

| | | |
|------------------------------|----------------|----------------|
| Pension Scheme loan | 10,000 | 15,000 |
| UK Steel Enterprise Ltd loan | 12,537 | 60,405 |
| Bank loan | <u>834,162</u> | <u>330,031</u> |
| | <u>856,699</u> | <u>405,436</u> |

Loans incur interest at the following rates

| | | |
|------------------------------|--------|--------|
| Pension Scheme loan | 7.470% | 7.710% |
| UK Steel Enterprise Ltd loan | 7.500% | 7.500% |
| Bank loan | 6.175% | 6.175% |

Loans will mature on the following dates

| | |
|------------------------------|---------------|
| Pension Scheme loan | June 2010 |
| UK Steel Enterprise Ltd loan | December 2007 |
| Bank loan | October 2021 |

Hire purchase liabilities will mature between March 2007 and September 2010

M F SEALING SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

16 OPERATING LEASE COMMITMENTS

The following payments are committed to be paid within one year

| | Operating leases | | | |
|----------------------------|--------------------|------------------|------------------|------------------|
| | Land and buildings | | Other | |
| | 31 December 2006 | 31 December 2005 | 31 December 2006 | 31 December 2005 |
| | £ | £ | £ | £ |
| Expiring | | | | |
| Within one year | 12,280 | 12,280 | 54,162 | 37,411 |
| Between one and five years | <u>9,210</u> | <u>21,490</u> | <u>70,807</u> | <u>77,165</u> |
| | <u>21,490</u> | <u>33,770</u> | <u>124,969</u> | <u>114,576</u> |

17 SECURED DEBTS

The following secured debts are included within creditors

| | 31 December 2006 | 31 December 2005 |
|-------------------------|------------------|------------------|
| | £ | £ |
| Bank overdraft | 81,775 | 237,958 |
| Debt factoring advances | 328,133 | 254,751 |
| Bank loan | <u>870,913</u> | <u>369,398</u> |
| | <u>1,280,821</u> | <u>862,107</u> |

Bank loans and overdrafts are secured by a fixed and floating charge over the company's assets

Debt factoring advances are secured with full recourse against £617,498 of trade debtors at 31 December 2006 (31 December 2005 £570,810)

18 PROVISIONS FOR LIABILITIES & CHARGES

Deferred Taxation

The movement in the deferred taxation provision during the year was

| | 31 December 2006 | 31 December 2005 |
|-----------------------------|------------------|------------------|
| | £ | £ |
| Balance at 1 January 2006 | - | - |
| Charged to Profit and Loss | <u>14,712</u> | <u>-</u> |
| Balance at 31 December 2006 | <u>14,712</u> | <u>-</u> |

The provision for deferred taxation consists of the tax effect of timing difference in respect of

| | 31 December 2006 | 31 December 2005 |
|---|------------------|------------------|
| | £ | £ |
| Excess of taxation allowances over depreciation on fixed assets | <u>14,712</u> | <u>-</u> |

M F SEALING SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

19 CALLED UP SHARE CAPITAL

| Authorised Number | Class | Nominal value | 31 December 2006 £ | 31 December 2005 £ |
|----------------------|--------------|------------------|--------------------------|--------------------------|
| 23,151 | Ordinary | £1 | 23,151 | 23,151 |
| 2,857 | "A" Ordinary | £1 | 2,857 | 2,857 |
| 25,000 | Preference | £1 | <u>25,000</u> | <u>25,000</u> |
| | | | <u>51,008</u> | <u>51,008</u> |

| Allotted, issued and fully paid Number | Class | Nominal value | 31 December 2006 £ | 31 December 2005 £ |
|---|--------------|------------------|--------------------------|--------------------------|
| 15,000 | Ordinary | £1 | 15,000 | 15,000 |
| 2,857 | "A" Ordinary | £1 | <u>2,857</u> | <u>2,857</u> |
| | | | <u>17,857</u> | <u>17,857</u> |

Dividend Rights

The profits of the company available by law for distribution in respect of any financial year shall be applied in the following manner and order of priority

- Firstly, to the holders of Ordinary Shares a dividend of up to £50,000,
- Secondly, to the holders of "A" Ordinary Shares a cumulative dividend equal to 8% of the Net Profit,
- Thirdly, to the holders of Ordinary Shares a dividend which, when added to any interim dividend paid on each Ordinary Share, is equal to the amount paid on each "A" Ordinary Share,
- Fourthly, in paying to the holders of the "A" Ordinary Shares and the Ordinary Shares pro rata as if they constituted one class of shares

Voting Rights

Every Ordinary Share and "A" Ordinary Share shall carry one vote each

Distribution on winding up

On a return of capital on winding up, the assets of the company available for distribution amongst the shareholders shall be applied in the following manner and order of priority

- Firstly, to the holders of "A" Ordinary Shares a sum equal to any arrears or deficiency of the "A" Ordinary dividend plus interest,
- Secondly, the nominal amounts paid up on the "A" Ordinary Shares and any premium paid,
- Thirdly, the nominal amounts paid up on the Ordinary Shares together with any arrears of dividend declared but not paid,
- Fourthly, any balance shall be divided pro rata between the holders of Ordinary Shares and "A" Ordinary Shares as if they constituted one class of shares

20 SHARE PREMIUM

| | 31 December 2006 £ | 31 December 2005 £ |
|------------------|--------------------------|--------------------------|
| Cash share issue | <u>22,143</u> | <u>22,143</u> |

M F SEALING SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

21 CAPITAL REDEMPTION RESERVE

| | 31 December 2006 £ | 31 December 2005 £ |
|--------------------|--------------------------|--------------------------|
| Capital redemption | <u>25,000</u> | <u>25,000</u> |

22 CONTINGENT LIABILITIES

The company had no contingent liabilities at the balance sheet date (2005 £nil)

23 TRANSACTIONS WITH DIRECTORS

During the year Mr I Watson & Mrs P Watson used a current account with the company to record amounts due to them and amounts drawn by them. The balance due to them at the end of the year was £60,947 (2005 £120,633). The maximum balance outstanding, due to them, during the year was £120,633.

24 RELATED PARTY DISCLOSURES

The company was under the control of Mr I Watson throughout the current and previous year. Mr I Watson was the managing director and majority shareholder until 18 July 2007 (see note 25).

25 POST BALANCE SHEET EVENTS

On 18 July 2007, the entire issued share capital of M F Sealing Systems Limited was acquired by Flowserve GB Limited (formerly Flowserve Pumps Limited). As part of the change in ownership the bank overdraft, pension scheme loan, UK Steel Enterprise loan and bank loan and debt factoring advances and directors current accounts shown in the balance sheet at 31 December 2006 have been repaid in full. Certain fixed assets have also been sold.

26 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 31 December 2006 £ | 31 December 2005 £ |
|--|--------------------------|--------------------------|
| (Loss)/profit for the financial year | (166,451) | 78,558 |
| Dividends | <u>(13,000)</u> | <u>(18,233)</u> |
| Net (reduction)/addition to shareholders' funds | (179,451) | 60,325 |
| Opening shareholders' funds | <u>245,021</u> | <u>184,696</u> |
| Closing shareholders' funds | <u>65,570</u> | <u>245,021</u> |

27 CONTROLLING PARTY

Since 18 July 2007 the immediate parent has been Flowserve GB Limited, the ultimate parent and controlling party has been Flowserve Corporation.