

**REGISTERED NUMBER: 3116069 (England and Wales)**

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007  
FOR  
M F SEALING SYSTEMS LIMITED**

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**M F SEALING SYSTEMS LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2007**

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**M F SEALING SYSTEMS LIMITED**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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

**M F SEALING SYSTEMS LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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

**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**

On 18<sup>th</sup> July 2007 the whole of the share capital of the company was acquired by the Flowserve Corporation. M F Sealing Systems Ltd is now a wholly owned subsidiary of this global engineering group.

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

2007 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.

On 30 September 2008 the trade and certain of the assets of the company were transferred to its immediate parent company, Flowserve GB Limited. This transfer is not expected to adversely impact the operation of the underlying business.

**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 its 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.**

**Key performance indicators (KPI's)**

Management monitors the progress on the strategy by reference to KPI's. The directors believe that use of KPI's is not necessary for an understanding of the accounts.

**DIVIDENDS**

No interim dividends were paid on the Ordinary £1 shares during the year under review (2006: 87p per share). The directors recommend that no final dividend be paid on these shares.

An interim dividend of £3.60 per share (2006: £nil) on the "A" Ordinary £1 shares was paid on 18 July 2007. The directors recommend that no final dividend be paid on these shares.

The total distribution of dividends for the year ended 31 December 2007 was £10,279 (2006: £13,000).

**M F SEALING SYSTEMS LIMITED**  
**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**DIRECTORS**

The directors during the year under review were:

Mr I Watson  
Mrs P Watson  
Mr J Turner  
Mr J Nanos

**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 IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS**

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 the Directors in office at the date of approval of this report 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 2007**

**DONATIONS**

During the year the company made the following contributions:

	31 December 2007 £	31 December 2006 £
Charitable	<u>-</u>	<u>225</u>

**INDEPENDENT AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution confirming their re-appointment will be proposed at the Annual General Meeting.

**ON BEHALF OF THE BOARD:**



.....  
Mr J Turner - Director

Date: 29 April 2009



**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 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 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 sufficient accounting records relating to the valuation of stock at 31 December 2007 have not been made available to us.

The evidence available to us was also limited because, as stated in our report in the financial statements for the year ended 31 December 2006:

- We were not appointed auditors of the company until after 31 December 2006 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 at 31 December 2006 or the existence or accuracy of trade creditors at 31 December 2006 have also not been made available to us.

We have been unable to satisfy ourselves by other auditing procedures that stocks shown in the balance sheets at 31 December 2007 and 31 December 2006 and trade creditors shown in the balance sheet at 31 December 2006 are fairly stated. Any adjustment to these figures could affect the profit/loss for the years ended 31 December 2006 and 31 December 2007.

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 2007 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*

.....  
**PricewaterhouseCoopers LLP**  
Chartered Accountants & Registered Auditors  
Gatwick

Date: *29 April 2009*

**M F SEALING SYSTEMS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

		<u>31 December 2007</u>	<u>31 December 2006</u>
	Notes	£	£
<b>TURNOVER</b>	3	2,253,720	2,062,823
Cost of sales		<u>(1,517,478)</u>	<u>(1,085,492)</u>
<b>GROSS PROFIT</b>		736,242	977,331
Administrative expenses – non exceptional		(987,495)	(794,564)
Administrative expenses – exceptional pension charge	2	<u>-</u>	<u>(225,000)</u>
Total administrative expenses		<u>(987,495)</u>	<u>(1,019,564)</u>
		(251,253)	(42,233)
Other operating income		<u>20,004</u>	<u>18,614</u>
<b>OPERATING (LOSS)</b>	4	(231,249)	(23,619)
Exceptional profit on sale of fixed assets	10	568,832	-
Interest receivable and similar income	5	2,258	31
Interest payable and similar charges	6	<u>(72,951)</u>	<u>(106,329)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		266,890	(129,917)
Tax on profit/(loss) on ordinary activities	7	<u>(4,817)</u>	<u>(36,534)</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		262,073	(166,451)
Retained profit brought forward		570	180,021
Dividends	8	<u>(10,279)</u>	<u>(13,000)</u>
<b>RETAINED PROFIT CARRIED FORWARD</b>		<u>252,364</u>	<u>570</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.

**HISTORICAL COSTS**

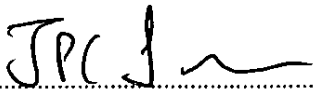
There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

**M F SEALING SYSTEMS LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2007**

		<u>31 December 2007</u>		<u>31 December 2006</u>	
	Notes	£	£	£	£
<b>FIXED ASSETS:</b>					
Intangible assets	9		5,847		15,847
Tangible assets	10		<u>117,146</u>		<u>812,446</u>
			122,993		828,293
<b>CURRENT ASSETS:</b>					
Stocks	11	1,056,021		916,799	
Debtors	12	850,577		685,789	
Cash at bank and in hand		<u>39,250</u>		<u>3,306</u>	
		1,945,848		1,605,894	
<b>CREDITORS:</b> Amounts falling due within one year	13	<u>(1,747,383)</u>		<u>(1,463,267)</u>	
<b>NET CURRENT ASSETS:</b>			<u>198,465</u>		<u>142,627</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			321,458		970,920
<b>CREDITORS:</b> Amounts falling due after more than one year	14		-		(890,638)
<b>PROVISIONS FOR LIABILITIES AND CHARGES:</b>	18		<u>(4,094)</u>		<u>(14,712)</u>
<b>NET ASSETS</b>			<u><u>317,364</u></u>		<u><u>65,570</u></u>
<b>CAPITAL AND RESERVES:</b>					
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>252,364</u>		<u>570</u>
<b>TOTAL SHAREHOLDERS' FUNDS:</b>	26		<u><u>317,364</u></u>		<u><u>65,570</u></u>

The financial statements were approved by the Board of Directors on 29 April 2009 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 2007**

#### **1. ACCOUNTING POLICIES**

##### **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**

As the results of the company are included in the accounts of Flowserve Corporation, the company is consequently exempt from the obligation to prepare a cash flow statement under the terms of the Financial Reporting Standard 1.

##### **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 2007

### 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

Debt factoring ceased on 18 July 2007. Prior to that date trade debtors were factored with full recourse. Advances from factors were 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 2007 £	31 December 2006 £
Wages and salaries	958,214	762,132
Social security costs	92,595	70,217
Other pension costs	<u>31,496</u>	<u>272,318</u>
	<u>1,082,305</u>	<u>1,104,667</u>

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

	31 December 2007	31 December 2006
Operations	22	18
Administration	<u>10</u>	<u>12</u>
	<u>32</u>	<u>30</u>

	31 December 2007 £	31 December 2006 £
Aggregate Directors' emoluments	<u>15,918</u>	<u>28,780</u>
Value of company pension contributions to money purchase schemes	<u>5,158</u>	<u>233,842</u>
Number of former 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 2007**

**2. STAFF COSTS (CONTINUED)**

Company pension contributions to money purchase schemes for the year ended 31 December 2006 included an exceptional charge of £225,000 paid on behalf of the directors holding office during that year. This amount was accrued for in the year ended 31 December 2006 and paid during the year ended 31 December 2007.

**3. TURNOVER**

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

**4. OPERATING (LOSS)/PROFIT**

The operating profit (2006 - operating loss) is stated after charging:

	31 December 2007 £	31 December 2006 £
Hire of plant and machinery	36,168	32,369
Other operating leases	14,222	14,924
Depreciation - owned assets	28,127	29,938
Depreciation - assets on hire purchase contracts or finance leases	4,591	7,463
Goodwill amortisation	10,000	9,996
Fees paid to the company's auditors and their associates – audit services	<u>15,000</u>	<u>15,000</u>

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	31 December 2007 £	31 December 2006 £
Bank deposit account	<u>2,258</u>	<u>31</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	31 December 2007 £	31 December 2006 £
Bank interest	29,896	27,080
Loan interest	39,803	75,716
Hire purchase charges	<u>3,252</u>	<u>3,533</u>
	<u>72,951</u>	<u>106,329</u>

**M F SEALING SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**7. TAXATION**

**Analysis of the tax charge**

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

	31 December 2007 £	31 December 2006 £
Current tax:		
UK corporation tax	13,528	22,154
Underpayment/(overpayment) in respect of prior year	<u>1,907</u>	<u>(332)</u>
Total current tax	15,435	21,822
Deferred taxation:		
Originating and reversal of timing differences	(21,736)	14,712
Effect of changes in tax rate on opening liability	11,118	-
Total deferred taxation	<u>(10,618)</u>	<u>14,712</u>
Tax on (loss)/profit on ordinary activities	<u><u>4,817</u></u>	<u><u>36,534</u></u>

**Reconciliation of Current Tax Charge**

	31 December 2007 £	31 December 2006 £
Profit/(loss) on ordinary activities before tax	266,890	(129,917)
Profit/(loss) on ordinary activities before tax at the UK small company corporation tax rate of 30% (2006: 19%)	80,067	(24,684)
Effects of:		
Non taxable income	(62,252)	50,719
Depreciation in excess of capital allowances	2,630	(3,972)
Other timing differences	20,002	91
Adjustments to tax charge in respect of previous years	1,907	(332)
Capital gains	<u>(26,919)</u>	<u>-</u>
Corporation tax charge for the year	<u><u>15,435</u></u>	<u><u>21,822</u></u>

**8. DIVIDENDS**

	31 December 2007 £	31 December 2006 £
Equity shares:		
Ordinary shares of £1 each		
Interim dividend of £nil per share (2006: 87p per share)	-	13,000
"A" Ordinary shares of £1 each		
Profit related dividend of £3.60 per share (2006: £nil per share)	<u>10,279</u>	<u>-</u>
	<u><u>10,279</u></u>	<u><u>13,000</u></u>



**M F SEALING SYSTEMS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**9. INTANGIBLE FIXED ASSETS**

	<u>Goodwill</u>
	£
<b>COST:</b>	
At 1 January 2007	
and 31 December 2007	<u>50,000</u>
<b>AMORTISATION:</b>	
At 1 January 2007	34,153
Charge for year	<u>10,000</u>
At 31 December 2007	<u>44,153</u>
<b>NET BOOK AMOUNT:</b>	
At 31 December 2007	<u>5,847</u>
At 31 December 2006	<u>15,847</u>

**10. TANGIBLE FIXED ASSETS**

	<u>Leasehold property</u>	<u>Freehold buildings</u>	<u>Plant and machinery</u>	<u>Totals</u>
	£	£	£	£
<b>COST:</b>				
At 1 January 2007	50,000	603,748	342,308	996,056
Additions	-	-	33,192	33,192
Disposals	<u>(50,000)</u>	<u>(603,748)</u>	<u>(116,594)</u>	<u>(770,342)</u>
At 31 December 2007	<u>-</u>	<u>-</u>	<u>258,906</u>	<u>258,906</u>
<b>ACCUMULATED DEPRECIATION:</b>				
At 1 January 2007	455	16,234	166,920	183,609
Charge for year	245	7,044	25,429	32,718
Eliminated on disposals	<u>(700)</u>	<u>(23,278)</u>	<u>(50,589)</u>	<u>(74,567)</u>
At 31 December 2007	<u>-</u>	<u>-</u>	<u>141,760</u>	<u>141,760</u>
<b>NET BOOK AMOUNT:</b>				
At 31 December 2007	<u>-</u>	<u>-</u>	<u>117,146</u>	<u>117,146</u>
At 31 December 2006	<u>49,545</u>	<u>587,514</u>	<u>175,387</u>	<u>812,446</u>

**EXCEPTIONAL ITEM**

**Sale of Leasehold and Freehold Property**

The whole of the share capital of the company was acquired by Flowserve Corporation on 18 July 2007. On that date the leasehold and freehold property, and related plant and equipment, was sold to Upleatham Properties LLP and M F Sealing Systems Ltd Retirement & Death Benefit Pension Scheme for £1,250,000. These parties are controlled by and for the benefit of Mr I. Watson, who was a director as at that date. The sale was at arms length and produced a profit on sale of £568,832. The company has subsequently leased back the property on an operating lease at an annual rate of £100,000.

**M F SEALING SYSTEMS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**10. TANGIBLE FIXED ASSETS (CONTINUED)**

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

	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Totals</u>
	£	£	£
<b>COST:</b>			
At 1 January 2007	70,084	38,461	108,545
Disposals	<u>-</u>	<u>(38,461)</u>	<u>(38,461)</u>
At 31 December 2007	<u>70,084</u>	<u>-</u>	<u>70,084</u>
<b>ACCUMULATED DEPRECIATION:</b>			
At 1 January 2007	24,407	28,781	53,188
Charge for the year	4,187	404	4,591
Eliminated on disposals	<u>-</u>	<u>(29,185)</u>	<u>(29,185)</u>
At 31 December 2007	<u>28,594</u>	<u>-</u>	<u>28,594</u>
<b>NET BOOK AMOUNT:</b>			
At 31 December 2007	<u>41,490</u>	<u>-</u>	<u>41,490</u>
At 31 December 2006	<u>45,677</u>	<u>9,680</u>	<u>55,357</u>

**M F SEALING SYSTEMS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**11. STOCKS**

	31 December 2007 £	31 December 2006 £
Finished goods held for resale	769,571	746,799
Work in progress	<u>286,450</u>	<u>170,000</u>
	<u><u>1,056,021</u></u>	<u><u>916,799</u></u>

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

	31 December 2007 £	31 December 2006 £
Trade debtors	773,045	645,782
Other debtors	4,276	5,790
Prepayments	55,292	34,217
Amount due from group undertakings	<u>17,964</u>	<u>-</u>
	<u><u>850,577</u></u>	<u><u>685,789</u></u>

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

	31 December 2007 £	31 December 2006 £
Bank overdrafts (see note 15)	-	81,775
Pension Scheme loan (see note 15)	-	15,000
UK Steel Enterprise Ltd loan (see note 15)	-	97,869
Bank loan (see note 15)	-	36,751
Trade creditors	246,481	357,302
Directors current accounts	-	60,947
Hire purchase	14,532	15,281
Debt factoring advances	-	328,133
Other creditors	-	21,632
Amounts owed to group undertakings	1,408,931	-
Social security & other taxes	2,781	99,855
Corporation tax	13,528	34,706
Accrued expenses	42,664	294,012
Deferred government grants	<u>18,466</u>	<u>20,004</u>
	<u><u>1,747,383</u></u>	<u><u>1,463,267</u></u>

Following the acquisition by Flowserve Corporation, the bank overdraft, bank loan, pension scheme loan and UK Steel Enterprise loan were all settled in full. Debt factoring is no longer used.

**M F SEALING SYSTEMS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

	31 December 2007 £	31 December 2006 £
Pension Scheme loan (see note 15)	-	10,000
UK Steel Enterprise Ltd loan (see note 15)	-	12,537
Bank loan (see note 15)	-	834,162
Hire purchase	-	15,473
Deferred government grants	-	18,466
	<u>-</u>	<u>890,638</u>

**15. LOANS AND OVERDRAFTS**

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

	31 December 2007 £	31 December 2006 £
Amounts falling due within one year or on demand:		
Bank overdraft	-	81,775
Pension Scheme loan	-	15,000
UK Steel Enterprise Ltd loan	-	97,869
Bank loan	-	36,751
	<u>-</u>	<u>231,395</u>

Amounts falling due between two and five years:

Pension Scheme loan	-	10,000
UK Steel Enterprise Ltd loan	-	12,537
Bank loan	-	834,162
	<u>-</u>	<u>856,699</u>

Loans incur interest at the following rates:

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

Hire purchase liabilities will mature between January 2008 and September 2010.

**M F SEALING SYSTEMS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**16. OPERATING LEASE COMMITMENTS**

The following payments are committed to be paid within one year:

	Operating leases			
	Land and buildings		Other	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	£	£	£	£
Expiring:				
Within one year	9,210	-	19,977	6,777
Between one and five years	-	12,280	23,838	47,385
Outside of five years	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>109,210</u>	<u>12,280</u>	<u>43,815</u>	<u>54,162</u>

The company is committed to leasing a property at an annual rate of £100,000 until July 2017, as referred to in note 10.

**17. SECURED DEBTS**

The following secured debts are included within creditors:

	31 December 2007	31 December 2006
	£	£
Bank overdraft	-	81,775
Debt factoring advances	-	328,133
Bank loan	<u>-</u>	<u>870,913</u>
	<u>-</u>	<u>1,280,821</u>

Following the acquisition on 18 July 2007 by Flowserve Corporation debt factoring advances were repaid in full and are no longer used. Debt factoring advances were previously secured with full recourse against trade debtors.

**18. PROVISIONS FOR LIABILITIES & CHARGES**

**Deferred Taxation**

The movement in the deferred taxation provision during the year was:

	31 December 2007	31 December 2006
	£	£
Balance at 1 January 2007	14,712	-
Charged to Profit and Loss	(15,110)	14,712
Adjustment in respect of prior years	<u>4,492</u>	<u>-</u>
Balance at 31 December 2007	<u>4,094</u>	<u>14,712</u>

# M F SEALING SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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

	31 December 2007 £	31 December 2006 £
Excess of taxation allowances over depreciation on fixed assets	22,762	14,712
Other timing differences	(18,668)	-
	<u>4,094</u>	<u>14,712</u>

### 19. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	31 December 2007 £	31 December 2006 £
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 2007 £	31 December 2006 £
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.

**M F SEALING SYSTEMS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

**20. SHARE PREMIUM**

	31 December 2007 £	31 December 2006 £
Cash share issue	<u>22,143</u>	<u>22,143</u>

**21. CAPITAL REDEMPTION RESERVE**

	31 December 2007 £	31 December 2006 £
Capital redemption	<u>25,000</u>	<u>25,000</u>

**22. CONTINGENT LIABILITIES**

The company had no contingent liabilities at the balance sheet date. (2006: £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. Mr & Mrs Watson resigned from office on 17 July 2007, the balance due to them at 17 July 2007 was £nil (31 December 2006: £60,947). The maximum balance due to them during the year was £60,947. Further details of transactions with Mr I Watson are given in note 10.

**24. RELATED PARTY DISCLOSURES**

The company has taken advantage of the FRS 8 "Related Party Disclosure" not to disclose transactions with entities that are 90% owned by the Flowserve Corporation.

**25. POST BALANCE SHEET EVENTS**

On 30 September 2008 the trade and certain of the assets and liabilities of the company were transferred to its immediate parent, Flowserve GB Limited in exchange for an inter-co loan. On 11 February 2009 this inter-co loan was waived.

**26. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31 December 2007 £	31 December 2006 £
Profit/(Loss) for the financial year	262,073	(166,451)
Dividends	<u>(10,279)</u>	<u>(13,000)</u>
<b>Net addition/(reduction) to shareholders' funds</b>	<b>251,794</b>	<b>(179,451)</b>
Opening shareholders' funds	<u>65,570</u>	<u>245,021</u>
<b>Closing shareholders' funds</b>	<b><u>317,364</u></b>	<b><u>65,570</u></b>

**27. CONTROLLING PARTY**

Since 18 July 2007 the immediate parent has been Flowserve GB Limited and the ultimate parent and controlling party has been Flowserve Corporation. The results of the company are included in the consolidated accounts of the Flowserve Corporation, which may be obtained from: Flowserve Corporation, 5215 N O'Connor Boulevard, Suite 2300, Irving, Texas, USA.