

# **Audco Limited**

## **Report and Accounts**

For the period ended 31 December 2003

*Company number: 316996*



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# **Audco Limited**

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## **DIRECTORS**

J M Nanos (USA)  
J B Nowlin (USA)

## **SECRETARY**

J M Nanos (USA)

## **AUDITORS**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

## **SOLICITORS**

Addleshaw Booth & Co  
100 Barbirolli Square  
Manchester  
M2 3AB

## **REGISTERED OFFICE**

Atlas Works  
Station Road  
Persore  
Worcestershire  
WR10 2BZ

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# Audco Limited

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2003.

### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company holds a 50% investment in Audco India Limited and receives dividend income. The directors do not expect any change in the principal activity during the next financial year although they will continue to consider opportunities as they arise.

### RESULTS AND DIVIDENDS

The results for the period are summarised below:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Profit before taxation	879	819
Taxation on profit	(69)	(65)
	<hr/>	<hr/>
Profit for the financial period	810	754
	<hr/>	<hr/>

The directors recommend the payment of a dividend of £810,000 (2002: £754,000).

### DIRECTORS

The directors who held office during the year under review are shown on page 2.

No director held any interest in the share capital of the company but may hold interests in the share capital of the ultimate holding company, Flowserve Corporation, which is a foreign registered company.

### AUDITOR

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution that they will be reappointed will be proposed at the annual general meeting.

10/10/10

**DIRECTORS' REPORT (CONTINUED)**

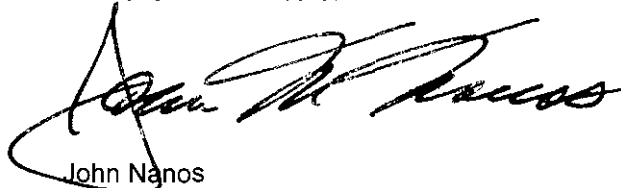
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare accounts for each financial year which 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 accounts, the directors are required to:

- ξ Select suitable accounting policies and then apply them consistently;
- ξ Make judgements and estimates that are reasonable and prudent;
- ξ State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ξ Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 accounts 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.

On Behalf of the Board.



John Nanos  
Director

Date: 21 April 2004

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AUDCO LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom auditing standards issued by the Auditing Practices Board. 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 in to 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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the Directors' Report only.

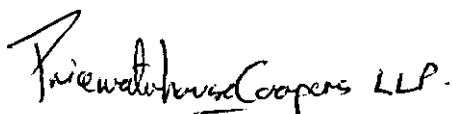
### Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
21 April 2004

## Audco Limited

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

		Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
	Notes		
Income from shares in associated undertakings		879	819
<b>Profit on ordinary activities before taxation</b>		<b>879</b>	<b>819</b>
Taxation	5	(69)	(65)
<b>Profit on ordinary activities after taxation</b>		<b>810</b>	<b>754</b>
Dividends		(810)	(754)
<b>Retained profit for the period</b>	9	<b>-</b>	<b>-</b>

There are no recognised gains or losses other than the results shown above

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

All of the above relates to continuing activities. There were no acquisitions in the year.

The notes on pages 10 to 12 form part of these financial statements.



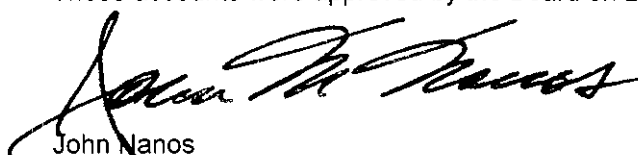
10/10/10

# Audco Limited

## BALANCE SHEET AT 31 DECEMBER 2003

	Notes	31 December 2003 £'000	31 December 2002 £'000
<b>FIXED ASSETS</b>			
Investments	6	45	45
		<hr/> 45	<hr/> 45
<b>CURRENT ASSETS</b>			
Debtors	7	1,995	1,995
		<hr/> 1,995	<hr/> 1,995
<b>NET CURRENT ASSETS</b>			
		<hr/> 2,040	<hr/> 2,040
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<hr/> 2,040	<hr/> 2,040
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	240	240
Profit and loss account	9	1,800	1,800
		<hr/> 2,040	<hr/> 2,040
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
		<hr/> 2,040	<hr/> 2,040

These accounts were approved by the Board on 21 April 2004 and signed on its behalf by:

  
John Nanos  
Director

The notes on pages 10 to 12 form part of these accounts.

## Audco Limited

### RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2003

		31 December 2003 £'000	31 December 2002 £'000
	Note		
Profit for the Year	2	810	754
Dividends		(810)	(754)
		-	-
Opening equity shareholders' funds		2,040	2,040
Closing equity shareholders' funds		2,040	2,040

**NOTES TO THE ACCOUNTS**

**1. ACCOUNTING POLICIES**

**Basis of preparation**

The accounts have been prepared under the historical cost convention, and in accordance with all applicable UK accounting standards.

Under Financial Reporting Standard No.1: "Cash Flow Statements" (revised 1996) the Company was exempt from the requirement to prepare a cash flow statement, on the grounds that it was a wholly owned subsidiary undertaking of Flowserve Corporation, a listed company that prepared a consolidated cash flow statement for the Flowserve group.

**Investments**

Investments in subsidiary undertakings are held at cost less amounts written off and provisions for impairment.

**2. PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST**

Remuneration of the auditors for non-audit services supplied to the Company amounted to £nil (2002: £nil). The auditor's remuneration is borne by the Company's ultimate parent undertaking.

**3. DIRECTORS' REMUNERATION**

None of the directors received any emoluments from the Company during the year (2002: £nil).

**4. EMPLOYEES**

No persons were employed by the Company during the year (2002: nil)

**5. TAXATION**

The profit before taxation of £879,000 (2002: £819,000) arises on dividend income on which no United Kingdom corporation tax is payable due to double taxation relief. An amount of £69,000 (2002: £65,000) of Indian withholding tax was paid during the year.

# Audco Limited

## NOTES TO THE ACCOUNTS

### 6. INVESTMENTS

	Shares in Associated Undertakings	
	31 December 2003 £'000	31 December 2002 £'000
<b>Cost and Net Book Value</b>		
At 31 December 2003 and 31 December 2002	45	45

Details of the Company's joint venture undertaking are as follows:

Name of Company	Country of Registration, Incorporation and Operation	Holding	Proportion of voting rights and shares held	Nature of business
Audco India Limited	India	Ordinary shares	50%	Manufacturing

The latest published accounts for Audco India Limited are for the year ended 31 March 2003 and show aggregate funds on capital and reserves of Rupees 980 million (£13.1 million) and a retained profit for the year of Rupees 120 million (£1.6 million).

### 7. DEBTORS

	31 December 2003 £'000	31 December 2002 £'000
<b>Amounts falling due within one year</b>		
Amounts owed by parent and fellow subsidiary undertakings	1,995	1,995

### 8. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called-up and fully paid	
	31 Dec 2003 £'000	31 Dec 2002 £'000	31 Dec 2003 £'000	31 Dec 2002 £'000
240,000 ordinary shares of £1 each	240	240	240	240
60,000 unclassified shares of £1 each	60	60	-	-
	<u>300</u>	<u>300</u>	<u>240</u>	<u>240</u>

**9. RESERVES**

	<b>Profit and Loss Account £'000</b>
1 January 2003	1,800
Profit for the year	-
31 December 2003	<u>1,800</u>

**10. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose transactions with entities that are part of the group on the basis that consolidated financial statements in which the company is included are publicly available.

**11. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS**

The immediate holding company on 31 December 2003 was Flowserve Pumps Limited, a company incorporated in the United Kingdom.

The ultimate holding company for which group accounts are prepared is Flowserve Corporation a company incorporated in the United States. Consolidated financial statements may be obtained from the address below.

Flowserve Corporation  
5215 N. O'Connor Boulevard  
Suite 2300  
Irving, Texas  
USA