

GLENFIELD VALVES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

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GLENFIELD VALVES LIMITED

COMPANY INFORMATION

Directors	Vita Hoejberg (resigned 27/07/07) Niels Aage Kjaer Bjarne Michaelsen John Paul Hubbard Graeme Boyce Lars Kudsk
Secretary	E Stewart
Company number	SC 220455
Registered office	Glenfield Works Queens Drive Kilmarnock Ayrshire KA1 3XF
Auditors	PKF (UK) LLP 78 Carlton Place Glasgow G5 9TH
Bankers	Bank of Scotland 46 Bank Street Kilmarnock KA1 1EX Jyske Bank PO Box 5120 DK 8100 Aarhus C

GLENFIELD VALVES LIMITED

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GLENFIELD VALVES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2007

The directors present their report and the financial statements for the year ended 30 September 2007

Principal activity

The principal activity of the company during the year was that of the manufacture of valves

Business review

The main focus of management for this year has been

1 Our programme of continuous improvement in our operations, product quality and Customer Service. Significant improvements were realised in the year building upon the previous years foundations. These improvements are monitored by our management KPIs.

2 Improved supply chain for raw materials. New suppliers were identified during the year along with sample approvals and visits from Glenfield Valves Ltd staff. The next move is to build on this new supply chain reducing rework and scrap created by supplier issues.

Results

The loss for the year, after taxation, amounted to £1,259,968 (2006 £1,378,826)

Directors

The directors who served during the year were

Vita Hoejberg (resigned 27/07/07)

Niels Aage Kjaer

Bjarne Michaelsen

John Paul Hubbard

Graeme Boyce

Lars Kudsk (appointed 30/10/06)

Financial instruments

The company is principally funded through overdraft facilities fully guaranteed by the parent company, AVK Holdings. In addition, long term loan funding has been made available by the parent undertaking as detailed in **Note 14** at favourable interest rates. Due to these financial arrangements the Directors are not required to review interest rates or participate in hedging activities.

The Directors do not consider any other risks attaching to the use of financial instruments to be material to the assessment of its financial position or profit.

Future developments

The outlook for further growth in sales and an improvement in profitability is encouraging as the company continues to regain position in existing markets and expands its presence within the AVK sales regions. The business will continue to take benefit from its cost reduction and outsourcing programme launched in 2005 and more importantly from continued improvements in quality and service to its customers.

GLENFIELD VALVES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2007

Risks and uncertainties

The risks identified by the Directors are in two areas

Stock The stock levels continue to be high in raw materials. A plan is in place to transform this stock into finished goods and ultimately sales in the forthcoming financial year to improve cash flow.

Internal costs. The operating costs within the company must be kept in line with, or below, the business plan levels. Specific KPIs and departmental responsibilities have been developed to monitor and control these costs.

The directors do not believe going concern and funding are material risks facing the business in the medium term given the level of ongoing financial support pledged by its parent company.

Provision of information to auditors

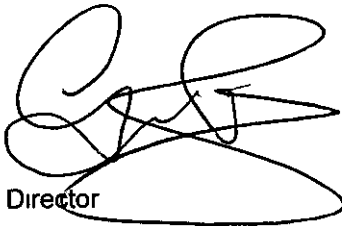
So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

The auditors, PKF (UK) LLP, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 30th JUNE 2008 and signed on its behalf



Director

G BOYCE

GLENFIELD VALVES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLENFIELD VALVES LIMITED

We have audited the financial statements of Glenfield Valves Limited for the year ended 30 September 2007 which comprise the Profit and loss account, the Balance sheet and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') 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).

We report to you our opinion as to whether the financial statements give a true and fair view and have been 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 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 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.

GLENFIELD VALVES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GLENFIELD VALVES LIMITED

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 30 September 2007 and of its loss 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

Going concern

In forming our opinion, we have considered the adequacy of the disclosures in the financial statements concerning the ongoing financial support provided by Glenfield Valves Limited's group undertakings and the group's bankers. These financial statements have been prepared on a going concern basis, the validity of which depends on the continuance of this support. The financial statements do not include any adjustments that would result from the discontinuance of this support. Details of the circumstances relating to this fundamental uncertainty are described in note 1.1. Our opinion is not qualified in this respect.



PKF (UK) LLP

Registered auditors

Glasgow, UK

Date 16 Jun 2008

GLENFIELD VALVES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 SEPTEMBER 2007

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,
- prepare the financial statements 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 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.

GLENFIELD VALVES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	Note	2007 £	2006 £
TURNOVER	1,2	6,904,201	8,171,388
Cost of sales		(6,367,583)	(7,375,648)
GROSS PROFIT		536,618	795,740
Selling and distribution costs		(540,852)	(674,387)
Administrative expenses		(1,466,194)	(1,720,509)
Other operating income	3	20,800	7,800
OPERATING LOSS	4	(1,449,628)	(1,591,356)
Interest receivable		9,878	3,472
Interest payable	7	(290,642)	(373,039)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,730,392)	(1,960,923)
Tax on loss on ordinary activities	8	470,424	582,097
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	17	(1,259,968)	(1,378,826)

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 or 2006 other than those included in the profit and loss account

The notes on pages 8 to 16 form part of these financial statements

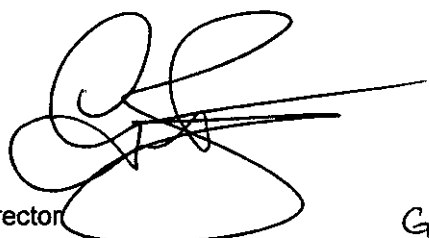
GLENFIELD VALVES LIMITED

**BALANCE SHEET
AS AT 30 SEPTEMBER 2007**

	Note	£	2007 £	£	2006 £
FIXED ASSETS					
Intangible fixed assets	9		18,000		32,000
Tangible fixed assets	10		1,103,756		1,325,334
			<u>1,121,756</u>		<u>1,357,334</u>
CURRENT ASSETS					
Stocks	11	3,112,191		3,586,868	
Debtors	12	2,267,083		2,701,189	
Cash at bank		12,146		71,531	
		<u>5,391,420</u>		<u>6,359,588</u>	
CREDITORS: amounts falling due within one year	13	<u>(4,221,158)</u>		<u>(4,149,591)</u>	
NET CURRENT ASSETS			<u>1,170,262</u>		<u>2,209,997</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,292,018</u>		<u>3,567,331</u>
CREDITORS: amounts falling due after more than one year	14		<u>(2,125,000)</u>		<u>(2,175,000)</u>
PROVISIONS FOR LIABILITIES					
Other provisions	15		<u>(94,000)</u>		<u>(59,345)</u>
NET ASSETS			<u>73,018</u>		<u>1,332,986</u>
CAPITAL AND RESERVES					
Called up share capital	16		5,200,000		5,200,000
Profit and loss account	17		<u>(5,126,982)</u>		<u>(3,867,014)</u>
SHAREHOLDERS' FUNDS	18		<u>73,018</u>		<u>1,332,986</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

30/6/08


 Director G BOYCE

The notes on pages 8 to 16 form part of these financial statements

GLENFIELD VALVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

1. ACCOUNTING POLICIES

1.1 Fundamental accounting concept and basis of preparation of financial statements

Going Concern

At the balance sheet date the company has a balance of £2,050,912 (2006 £2,055,190) due to its parent undertaking, Aage V Kjaers Maskinfabrik A/S, £3,105,437 (2006 £2,853,504) due to its bankers and £479,747 (2006 £526,263) due to other group companies. The balance due to the parent undertaking includes a £2 million loan falling due after more than one year. The company's ability to continue normal trading operations is dependent on the continuing financial support of the parent company, its bankers and other group companies to assist the company in meeting its obligations as they fall due. The directors of the parent company have confirmed their ongoing financial support for the period of at least twelve months from the date of approval of these financial statements and are confident of the continuing support from the company's bankers and other group companies. Therefore, the directors believe the going concern basis continues to be appropriate. Accordingly these financial statements have been prepared on the going concern basis. These financial statements do not include any adjustments that would arise from the withdrawal of this support.

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publically available, is exempt from the requirement to draw up a cash flow statement in accordance with Financial Reporting Standard No 1.

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts. Turnover is recognised when goods have been despatched or when a service is rendered.

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life of five years.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	10 20% straight line
Fixtures & fittings	20% straight line

1.6 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

GLENFIELD VALVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

1. ACCOUNTING POLICIES (continued)

1.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost is determined on a first in first out basis. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal. Goods in transit are included in the company's stocks when they leave the suppliers' premises as the risks and benefits of ownership transfer to Glenfield Valves Limited at that time.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of transaction. Exchange differences are included in interest payable in the profit and loss account.

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2. TURNOVER

The whole of the turnover is attributable to one class of business.

A geographical analysis of turnover is as follows:

	2007	2006
	£	£
United Kingdom	4,656,169	3,563,603
Rest of world	2,248,032	4,607,785
	6,904,201	8,171,388

GLENFIELD VALVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

3. OTHER OPERATING INCOME

	2007 £	2006 £
Net rents receivable	<u>20,800</u>	<u>7,800</u>

4. OPERATING LOSS

The operating loss is stated after charging

	2007 £	2006 £
Amortisation of intangible assets	14,000	12,000
Depreciation of tangible fixed assets owned by the company	337,251	351,788
Auditors' remuneration	14,500	13,900
Operating lease rentals		
plant and machinery	39,862	74,717
land and buildings	204,000	204,448
Research and development expenditure	82,345	
Pension cost	15,538	13,069
	<u> </u>	<u> </u>

5. STAFF COSTS

Staff costs, including executive directors' remuneration, were as follows

	2007 £	2006 £
Wages and salaries	1,666,218	1,943,716
Social security costs	163,137	197,118
Other pension costs	15,538	13,069
	<u>1,844,893</u>	<u>2,153,903</u>

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

	2007 No.	2006 No.
Directors	1	3
Administration	25	44
Production	39	35
	<u>65</u>	<u>82</u>

GLENFIELD VALVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

6. DIRECTORS' REMUNERATION

	2007 £	2006 £
Emoluments	<u>78,029</u>	<u>232,752</u>
Company pension contributions to money purchase pension schemes	<u>5,849</u>	<u>10,512</u>

The highest paid director received remuneration of £84,567 in 2006

7. INTEREST PAYABLE

	2007 £	2006 £
On bank loans and overdrafts	186,075	164,161
On loans from group undertakings	96,768	205,563
Other interest payable	7,799	3,315
	<u>290,642</u>	<u>373,039</u>

8. TAXATION

	2007 £	2006 £
Group taxation relief	<u>(470,424)</u>	<u>(582,097)</u>

Factors affecting tax charge for the year

No tax charge is payable for the current year due to the losses made by the company

There were no factors that may affect future tax charges

A deferred tax asset of £32,264 (2006 £32,264) for tax losses has not been recognised because in the opinion of the directors it is uncertain, at the balance sheet date, that profits in the foreseeable future will be sufficient to allow these losses to be utilised

GLENFIELD VALVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

9. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 October 2006 and 30 September 2007	91,774
Amortisation	
At 1 October 2006	59,774
Charge for the year	14,000
At 30 September 2007	73,774
Net book value	
At 30 September 2007	18,000
At 30 September 2006	32,000

The goodwill purchased arose on the acquisition of the customer base of a company in the same industry, based in England, which is still, in the opinion of the directors, contributing gross profits to the company at the balance sheet date

10. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At 1 October 2006	2,144,913	178,866	2,323,779
Additions	112,308	8,715	121,023
Disposals	(5,350)		(5,350)
At 30 September 2007	2,251,871	187,581	2,439,452
Depreciation			
At 1 October 2006	936,275	62,170	998,445
Charge for the year	300,684	36,567	337,251
At 30 September 2007	1,236,959	98,737	1,335,696
Net book value			
At 30 September 2007	1,014,912	88,844	1,103,756
At 30 September 2006	1,208,638	116,696	1,325,334

GLENFIELD VALVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

11. STOCKS

	2007 £	2006 £
Raw materials	1,723,201	2,298,721
Work in progress	161,705	122,194
Finished goods and goods for resale	1,227,285	1,165,953
	<u>3,112,191</u>	<u>3,586,868</u>

12. DEBTORS

	2007 £	2006 £
Trade debtors	935,122	1,102,634
Amounts owed by group undertakings	801,385	935,352
Other debtors	514,650	607,914
Prepayments and accrued income	15,926	55,289
	<u>2,267,083</u>	<u>2,701,189</u>

Included within other debtors is a tax asset of £470,424 (2006 £582,097). This has arisen due to the surrender of £1,568,079 tax losses (2006 £1,940,322) within the group and is considered to be recoverable within one year. The 2006 debtor in respect of the tax losses of £582,097 was fully recovered in the year with the exception of £18,372 which continues to be recognised within other debtors.

13. CREDITORS:

Amounts falling due within one year

	2007 £	2006 £
Bank loans and overdrafts	2,980,437	2,678,504
Trade creditors	387,715	484,544
Amounts owed to group undertakings	530,659	581,453
Social security and other taxes	51,623	73,793
Other creditors	270,724	331,297
	<u>4,221,158</u>	<u>4,149,591</u>

The bank loan and overdraft are guaranteed by Aage V Kjaers Maskinfabrik A/S, the company's parent undertaking.

GLENFIELD VALVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

14. CREDITORS: Amounts falling due after more than one year

	2007 £	2006 £
Bank loans	125,000	175,000
Other loans	2,000,000	2,000,000
	<u>2,125,000</u>	<u>2,175,000</u>

Creditors include amounts not wholly repayable within 5 years as follows

	2007 £	2006 £
Amounts owed to group undertakings	<u>2,000,000</u>	<u>2,000,000</u>

The bank loan is repayable in annual installments of £50,000 per annum commencing 15 October 2003
Interest is charged at 5 1% per annum

Amounts owed to group undertakings relate to a loan with Aage V Kjaers Maskinfabrik A/S There are no repayment terms attached to this loan, and the parent undertaking has confirmed it will not seek repayment within one year Interest is charged at 5 5% per annum

15 PROVISIONS

	Other Provisions £
At 1 October 2006	59,345
Additions	60,000
Released	(25,345)
	<u>94,000</u>
At 30 September 2007	<u>94,000</u>

Other Provisions

Other provisions relate to the cost of work to be carried out on warranties to remedy faulty valves which have been sold This work is likely to be carried out between six months and a year from the balance sheet date

16 SHARE CAPITAL

	2007 £	2006 £
Authorised, allotted, called up and fully paid		
5,200,000 Ordinary shares of £1 each	<u>5,200,000</u>	<u>5,200,000</u>

GLENFIELD VALVES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

17. RESERVES

	Profit and loss account £
At 1 October 2006	(3,867,014)
Loss retained for the year	(1,259,968)
At 30 September 2007	<u>(5,126,982)</u>

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Opening shareholders' funds	1,332,986	(2,288,188)
Loss for the year	(1,259,968)	(1,378,826)
Shares issued during the year		5,000,000
Closing shareholders' funds	<u>73,018</u>	<u>1,332,986</u>

19. CONTINGENT LIABILITIES

At 30 September 2007 there existed contingent liabilities of £100,000 (2006 £100,000) in respect of a bond relating to HM Revenue & Customs, £100,000 (2006 £Nil) in respect of a bond relating to the Bank of Scotland, and £153,409 (2006 £153,409) relating to customers

20. OPERATING LEASE COMMITMENTS

At 30 September 2007 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other
	2007	2006	2007
	£	£	£
Expiry date:			
Within 1 year			11,659
Between 2 and 5 years	-		11,095
After more than 5 years	204,000	204,000	-

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions set out in paragraph 3 of Financial Reporting Standard Number 8 Related Parties. Accordingly, transactions with group companies are not disclosed

GLENFIELD VALVES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Aage V Kjaers Maskinfabrik A/S, and this company is in turn controlled by ASX 14,145 ApS. In the opinion of the directors this is the company's ultimate parent company.

The parent undertaking of the smallest group for which consolidated accounts are prepared is Aage V Kjaers Maskinfabrik A/S, a company incorporated in Denmark. Consolidated accounts are available from Erhvervs og Selskabsstyrelsen, Kampmannsgade 1, 1780 København, Denmark.

ASX 14,145 ApS is ultimately controlled by N. A. Kjaer.