

Registered Number 2101607

AESSEAL plc
Annual Report
for the year ended 31 December 2013

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AESSEAL plc
Annual Report
for the year ended 31 December 2013
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AESSEAL plc

Directors and advisers

Directors

C J Rea OBE DL

R Rea

M O Williams

J Wilkinson

S M Shaw

T R Pickles

G W Bridge

G Bingham

I G Wallace

Company secretary

C L Dickinson

Registered office

Global Technology Centre

Mill Close

Bradmarsh Business Park

Rotherham

S60 1BZ

Independent auditors

PricewaterhouseCoopers LLP

1 East Parade

Sheffield

S1 2ET

Bankers

HSBC Bank plc

4th Floor, City Point

29 King Street

Leeds

LS1 2HL

AESSEAL plc

Strategic report for the year ended 31 December 2013

The directors present their strategic report on the company for the year ended 31 December 2013

Principal activities

The company's principal activity during the year was the design, development, manufacture, sale and support of mechanical seals, engineered sealing systems and related products

Our purpose

The company's purpose is to put customers at the heart of our business through providing exceptional customer service. Our customers have supported the expansion of our products, processes and the globalisation of our business. We believe this growth will continue in 2014 and beyond as long as we continuously improve every aspect of our business that brings a benefit to our customers

Review of business and future developments

The year ending 31 December 2013 is yet another year of sales growth, with turnover increasing 4.1% to £45.2m (2012: 3.3% to £43.4m). Operating profit fell slightly to £6.8m (2012: £7.0m)

The sales growth in 2013 is a result of continued exceptional customer service, strong customer relationships and innovative products

The sales of the UK mechanical seal business grew by 9.1% and sales to group companies around the world grew by 1.6%

International business remains challenging but AESSEAL sister companies around the world helped us secure an excellent result for 2013, particularly strong performers being Mechanical Seal and Service in the USA, AESSEAL Malaysia and AESSEAL MCK in Ireland

Research and development

To sustain the growth in a technologically advanced business, innovation and new product development are fundamental. During the year the company has invested 7% of sales (2012: 7%) in research and development activities. Total research and development spending in 2013 was £3.2m (2012: £3.1m)

In our target market of Oil and Gas we can boast a full range of seals and systems for hydrocarbon duties, qualification tested to API third edition. Our objective to offer a high quality alternative for Compressor Dry Gas mechanical seals is now a reality. In addition, we offer a refurbishment programme for our own and competitors' Gas Seals

New product development has continued, which includes the launch of the patent pending Easyclean seal support system. Leading the market in ease of use and affordability, Easyclean™ is both a convenient and cost effective solution allowing manufacturers to further reduce the risk of product contamination in industries where a high standard of cleanliness is essential

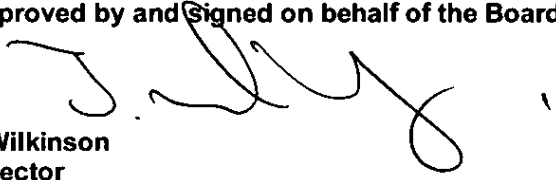
AESSEAL plc

Strategic report for the year ended 31 December 2013 - continued

Principal risks and KPI's

The directors of AES Engineering Limited, the ultimate parent company, manage the group's risks and operations at a group level, rather than at an individual business unit level. For this reason, the company's directors believe that discussion of the group's risks and analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company's business. The principal risks and uncertainties of the group, including credit, liquidity and cash flow risk of the company, and the development, performance and position of the company are discussed in the Directors' report of AES Engineering Limited's Annual Report which does not form part of this report.

Approved by and signed on behalf of the Board


J Wilkinson
Director
30 April 2014

AESSEAL plc

Directors' report for the year ended 31 December 2013

The directors present their report and the audited financial statements of the company for the year ended 31 December 2013

Results and dividends

The profit and loss account for the year is set out on page 10. A dividend of £1,500,000 (£30 per share) was paid on 17 May 2013 (2012: £1,500,000 (£30 per share)).

Directors

The directors who held office during the year and up to the date of signing are given below:

C J Rea OBE DL

R Rea

M O Williams

J Wilkinson

S M Shaw

T R Pickles

J H Stewart - resigned 3 June 2013

G W Bridge

G Bingham

J D Selka - appointed 11 January 2013, resigned 31 March 2014

I G Wallace - appointed 25 September 2013

Directors' indemnities

The group maintains liability insurance for its directors and officers. The group has also provided an indemnity for its directors and the company secretary during the financial year and at the date of this report, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Charitable donations

The company gave £39,200 (2012: £18,120) for charitable purposes in the year. No political donations were made during the year (2012: nil).

Directors' report for the year ended 31 December 2013 - continued

Employees

Communication is crucial to helping employees engage with the business. We communicate through team briefings, presentations, intranet and newsletters. The company has well-established forums for exchanging information and best practise, as well as discussing business issues, including efficiency initiatives, training & development, environment and health & safety issues. All employees contribute to and understand the company's business culture - particularly the needs of the customers it serves. The company conducts an employee survey annually with a high participation rate. Results are measured and action plans are created to address the most significant issues.

The company is committed to promoting policies which are designed to ensure that employees and those who seek to work for the company are treated equally regardless of sex, marital status, sexual orientation, creed, colour, race or ethnic origin.

The company gives full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the development of staff who become disabled and to provide equal opportunities for the career development of disabled employees.

The company recognises that training for all levels of staff is vital to performance and it also provides a mechanism for increasing morale and improving staff retention. This ensures that knowledge of the group's product offering is not lost, thereby enhancing customer service. All employees are provided with regular training on behavioural standards, whilst succession planning, including the deployment of an effective apprenticeship scheme, will contribute to future business sustainability.

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting 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.

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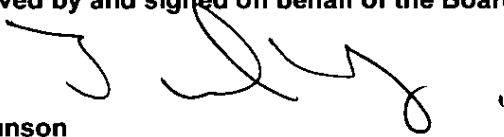
Directors' report for the year ended 31 December 2013 - continued

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that so far as each director is aware, there is no relevant audit information 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.

Approved by and signed on behalf of the Board



J Wilkinson
Director
30 April 2014

AESSEAL plc

Independent auditors' report to the members of AESSEAL plc

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by AESSEAL plc, comprise

- the Balance sheet as at 31 December 2013,
- the Profit and loss account for the year then ended,
- the statement of accounting policies, and
- the notes to the financial statements, which include other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

AESSEAL plc

Independent auditors' report to the members of AESSEAL plc - continued

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)") An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

AESSEAL plc

Independent auditors' report to the members of AESSEAL plc - continued

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

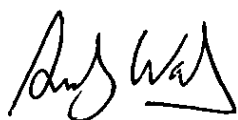
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on pages 5-6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Andy Ward (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
30 April 2014

AESSEAL plc

Profit and loss account for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	1	45,198	43,376
Other income		230	-
Change in stocks of finished goods		(171)	777
		45,257	44,153
Raw materials and consumables		(17,192)	(16,664)
Staff costs	2	(13,668)	(13,328)
Depreciation and amortisation		(2,434)	(2,140)
Other operating charges		(5,106)	(5,010)
		(38,400)	(37,142)
Operating profit	3	6,857	7,011
Net interest payable and similar charges	4	(25)	(138)
Profit on ordinary activities before taxation		6,832	6,873
Tax on profit on ordinary activities	6	(1,144)	(1,339)
Profit for the financial year	18	5,688	5,534

All items dealt with in arriving at operating profit above relate to continuing operations

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented

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

AESSEAL plc

Balance sheet as at 31 December 2013

Registered number 2101607

	Note	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	8	1,480	1,311
Investments	9	-	1,896
Tangible assets	10	9,264	7,622
		10,744	10,829
Current assets			
Stocks	11	8,826	9,098
Debtors	12	12,158	9,138
Cash at bank and in hand		358	36
		21,342	18,272
Creditors' amounts falling due within one year	13	(5,903)	(6,940)
Net current assets		15,439	11,332
Total assets less current liabilities		26,183	22,161
Creditors' amounts falling due after more than one year	14	(2,736)	(3,044)
Deferred tax	16	(180)	(111)
Net assets		23,267	19,006
Capital and reserves			
Called up share capital	17	50	50
Profit and loss account	18	23,217	18,956
Total shareholders' funds	19	23,267	19,006

The financial statements on pages 10 to 27 were approved by the board of directors on 30 April 2014 and were signed on its behalf by



J Wilkinson
Director

AESSEAL plc

Statement of accounting policies

Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006, applicable accounting standards in the United Kingdom and under the historical cost convention. There were no material departures from those standards. A summary of the main accounting policies, which have been applied consistently, is set out below.

The company is exempt from the requirement of Section 400 of the Companies Act 2006 to prepare consolidated group financial statements as it is a wholly owned subsidiary undertaking of AES Engineering Limited.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard Number 1 (revised 1996) from producing a cash flow statement as it is a wholly owned subsidiary undertaking of AES Engineering Limited.

Turnover

Turnover represents the amounts invoiced to customers net of value added tax. Under normal circumstances, turnover from product sales is recognised upon delivery to the customer or, in the case of goods supplied ex-works, generally upon collection by the customer or their agent. Where consignment stock arrangements are in place, turnover is recognised upon notification by the customer that the product has been withdrawn from consignment.

Tangible assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated so as to write off the cost of tangible assets, less their estimated residual value, on a straight line basis over their estimated economic lives. The depreciation rates used for this purpose are:

Buildings	1% straight line
Plant, fixtures and equipment	10-20% straight line
Motor vehicles	25% straight line
Short leasehold property	Equal instalments over period of lease

Intangible assets

Research and development of a revenue nature is written off in the year in which it is incurred.

Other development expenditure relating to specific projects is capitalised and carried forward and is amortised over the period during which the company is expected to benefit.

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

Statement of accounting policies - continued

Stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. In respect of finished goods and goods for resale, cost includes direct materials, labour and manufacturing overheads incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs to completion and selling costs. Provision is made for slow moving and obsolete stock.

Deferred taxation

Deferred tax is provided on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there are no commitments to sell the assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax and liabilities are not discounted.

Pension costs

The company operates defined contribution pension schemes. The charge in the profit and loss account for pension costs is the amount of the company's contributions payable to the pension schemes in the year.

Foreign currency

Transactions denominated in foreign currencies are translated into the local currency using the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in a foreign currency have been translated into the local currency at the year end rates. Where there are related or matched forward contracts in respect of trading transactions, the rates of exchange specified in those contracts are used. Realised foreign exchange differences are taken to the profit and loss account.

Leasing

Assets acquired under hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets. Assets acquired under finance leases are capitalised and depreciated over the lower of the useful lives and the terms of the lease. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease rentals are charged to the profit and loss account as they are incurred.

Statement of accounting policies - continued

Share based incentives

In accordance with FRS 20 the fair value of equity settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the group's estimate of shares or options that will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model.

In these financial statements, only the expense charged to the profit and loss account for the year is disclosed (note 3). The other disclosures required under FRS 20 are included in the financial statements of the parent company, AES Engineering Limited.

The expense recognised in the profit and loss account results in a corresponding increase in equity. In accordance with FRS20 this is presented as a separate component of the company's reserves and has no significance other than being the historical accumulation of the FRS20 expense.

Government grants

Government grants are recognised in the financial statements initially as deferred income when there is reasonable assurance that they will be received and conditions attached to the grants will be adhered to. Grants that compensate for expenses incurred are recognised as other income in the profit and loss account in the same period in which the expenses are recognised. Grants that compensate for the cost of an asset are recognised in the financial statements as other income over the useful life of the asset.

Dividends

Dividends are recognised in the period in which they are declared and approved by the shareholders.

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013

1 Turnover

The company's turnover and operating profit relate entirely to its principal activity

As permitted by the Companies Act and SSAP 25 the directors have not disclosed segmental information as they consider it would be seriously prejudicial to the company's interests

2 Employee information

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

By activity	2013	2012
	Number	Number
Sales engineers	29	30
Management and administration	172	152
Production and stores	244	240
	445	422
Staff costs for the above persons were	2013	2012
	£'000	£'000
Wages and salaries	12,240	11,871
Social security costs	1,197	1,100
Other pensions costs	231	166
Severance costs	-	191
	13,668	13,328

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

3 Operating profit

	2013 £'000	2012 £'000
Operating profit is stated after charging/(crediting)		
Depreciation of owned tangible assets	1,809	1,231
Depreciation of tangible assets held under hire purchase contracts	58	434
Amortisation of intangible assets	568	475
Auditors' remuneration including expenses		
- audit	21	18
- non-audit services	40	10
Operating leases - property	28	28
Operating leases - machinery	-	72
Research and development costs	3,204	3,112
Equity settled share based payments	73	61
Net foreign currency exchange gains	16	4
Profit on disposal of fixed assets	(23)	(49)

4 Net interest payable and similar charges

	2013 £'000	2012 £'000
Interest receivable/(payable) to other group companies	22	(90)
Interest payable on hire purchase obligations and finance leases	(13)	(24)
Interest payable on bank overdrafts	(34)	(24)
Net interest and similar charges payable	(25)	(138)

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

5 Directors' emoluments

	2013 £'000	2012 £'000
Emoluments including benefits in kind	1,052	1,081
Company pension contributions to money purchase scheme	66	56
Severance costs	-	191
	1,118	1,328

Retirement benefits are accruing to seven (2012 seven) directors under a money purchase scheme

Highest paid director	2013 £'000	2012 £'000
Emoluments including benefits in kind	200	92
Company pension contributions to money purchase scheme	3	7
Severance costs	-	191
	203	290

During the year two (2012 nil) directors of AESSEAL plc exercised share options in AES Engineering Limited as follows

Director	Number of shares exercised	Average Price
J Wilkinson	1,000	£88.79
T R Pickles	2,201	£83.22

In both cases, these shares were subsequently sold to the employee share ownership trust of AES Engineering Limited at a price of £232.41 each

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

6 Tax on profit on ordinary activities

	2013 £'000	2012 £'000
Current tax		
UK corporation tax on profits of the year	1,366	1,516
Group relief	-	(75)
Adjustments in respect of prior years	(291)	(42)
Current tax charge for the year	1,075	1,399
Deferred tax timing differences (note 16)	69	(60)
Tax on profits on ordinary activities	1,144	1,339

In addition to the changes in rates of Corporation tax disclosed within the note on taxation, further changes to the UK Corporation tax rates were announced in the March 2013 Budget. These included further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. The proposed reductions to the main rate of Corporation tax were both enacted as part of the Finance Act 2013. The overall effect of the reduction to 20%, if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by £8,000.

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

6 Tax on profit on ordinary activities - continued

The tax charged on the profit for the year is lower (2012 lower) than the standard rate of corporation tax in the UK. The difference is explained below.

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	6,832	6,873
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	1,589	1,684
Effects of:		
Expenses not deductible for tax purposes	15	14
Capital allowances and other timing differences	101	165
Group relief	-	(75)
Other reliefs	(339)	(347)
Adjustment in respect of prior years	(291)	(42)
Current tax charge for the year	1,075	1,399

7 Dividends

	2013 £'000	2012 £'000
Ordinary dividend paid £30 per share (2012: £30 per share)	1,500	1,500

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

8 Intangible assets

	Deferred development expenditure £'000
Cost	
At 1 January 2013	3,460
Additions	737
At 31 December 2013	4,197
Accumulated depreciation	
At 1 January 2013	2,149
Charge for the year	568
At 31 December 2013	2,717
Net book value	
At 31 December 2013	1,480
At 31 December 2012	1,311

9 Investments

	Subsidiary undertakings £'000
At 1 January 2013	1,896
Disposal	(1,896)
At 31 December 2013	-

On 18 January 2013 the ownership of the share capital of AESPUMP Limited was transferred from AESSEAL plc to AES Engineering Limited

As part of the transfer, the loan from AES Engineering Limited to AESSEAL plc of £1,896,495, which financed the original purchase, was repaid

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

10 Tangible assets

	Land and buildings	Plant, fixtures and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2013	375	22,704	947	24,026
Additions	-	3,500	90	3,590
Disposals	-	(160)	(59)	(219)
At 31 December 2013	375	26,044	978	27,397
Accumulated depreciation				
At 1 January 2013	39	15,839	526	16,404
Charge for the year	3	1,698	166	1,867
Disposals	-	(108)	(30)	(138)
At 31 December 2013	42	17,429	662	18,133
Net book value				
At 31 December 2013	333	8,615	316	9,264
At 31 December 2012	336	6,865	421	7,622

The cost of depreciable assets included in land and buildings is £375,000 (2012 £375,000)

The net book value of tangible assets includes an amount of £280,000 (2012 £1,924,000) in respect of assets held under hire purchase contracts or finance leases

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

11 Stocks

	2013	2012
	£'000	£'000
Raw materials and consumables	1,914	2,015
Finished goods and goods for resale	6,912	7,083
	8,826	9,098

12 Debtors

	2013	2012
	£'000	£'000
Trade debtors	4,031	3,272
Amounts owed by group undertakings	7,526	5,563
Other debtors	30	-
Prepayments	571	303
	12,158	9,138

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

13 Creditors – amounts falling due within one year

	2013 £'000	2012 £'000
Bank overdraft	119	1,440
Obligations under finance leases and hire purchase agreements	43	450
Trade creditors	2,890	2,014
Amounts owed to group undertakings	1,340	681
Corporate tax payable	415	884
Other taxation and social security	76	114
Accruals and deferred income	1,020	1,357
	5,903	6,940

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

14 Creditors – amounts falling due after more than one year

	2013 £'000	2012 £'000
Obligations under finance leases and hire purchase agreements	-	43
Amounts owed to group undertakings	1,801	3,001
Deferred income	935	-
	2,736	3,044

Amounts owed to group undertakings represent a rolling loan with AES Engineering Limited, the ultimate parent undertaking. The interest chargeable on the loan is 2% above the 12 month sterling LIBOR rate.

Deferred income represents unrecognised grant income. In 2013 £85,000 (2012 nil) was recognised within the profit and loss account within other income.

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

15 Obligations under finance leases and hire purchase agreements

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

	2013 £'000	2012 £'000
Due within one year	43	456
Between one and five years	-	43
Total gross payments	43	499
Less finance charges included above	-	(6)
	43	493

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

16 Deferred taxation

	2013 £'000	2012 £'000
At 1 January	111	171
Origination / (reversal) of timing differences	69	(60)
At 31 December	180	111

	2013 £'000	2012 £'000
Deferred taxation provided in the accounts comprises		
Timing differences		
Accelerated capital allowances	230	173
Other timing differences	(50)	(62)
	180	111

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

17 Called up share capital

	2013 £'000	2012 £'000
Authorised		
50,000 ordinary shares of £1 each	50	50
Allotted and fully paid		
50,000 ordinary shares of £1 each	50	50

There have been no changes during the year

18 Profit and loss account

	Profit and loss account £'000
At 1 January 2013	18,956
Profit for the financial year	5,688
Dividend paid (note 7)	(1,500)
FRS20 expense	73
At 31 December 2013	23,217

19 Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Profit for the financial year	5,688	5,534
Dividends (note 7)	(1,500)	(1,500)
FRS20 expense	73	62
Net increase in shareholders' funds	4,261	4,096
Opening shareholders' funds	19,006	14,910
Closing shareholders' funds	23,267	19,006

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

20 Capital and other financial commitments

	2013	2012
	£'000	£'000
Capital expenditure authorised and contracted for	233	195

At 31 December 2013 the group held forward exchange contracts to sell \$22,110,000 (2012 \$28,230,000) and €25,200,000 (2012 €29,900,000) at exchange rates ranging between \$1 4982 - \$1 5818 and €1 1433 - €1 2283 respectively. Of these \$9,270,000 and €9,600,000 fall due within one year. Compared to market rates at year end, the amounts receivable under these contracts give rise to an unrecognised gain of £1,289,000 (2012 unrecognised gain of £1,613,000).

21 Leasing commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases expiring as follows:

Land and buildings	2013	2012
	£'000	£'000
Within one year	-	5
After five years	20	20
	20	25

22 Pension commitments

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds.

Outstanding contributions payable to the schemes by the company are included in the pension cost charge in respect of the year and amount to £22,000 (2012 £22,000).

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2013 - continued

23 Related party transactions and balances

AESSEAL plc had the following transactions and balances with other companies which were not wholly owned subsidiaries or a member of the AES Engineering Limited group

Sales and purchases	2013 £'000	2012 £'000
Sales	8,750	9,599
Purchases	2,114	2,864

Year end balances

Amounts due to	409	85
Amounts due from	1,796	1,804

24 Contingent liability

Along with the other group undertakings based in the United Kingdom, the company has given security in favour of HSBC Bank plc against group borrowings by way of an unlimited multilateral company guarantee to secure all liabilities of each other, and a debenture giving fixed and floating charges over assets of the company. At 31 December 2013 borrowings covered by these guarantees amounted to £15,663,000 (2012 £18,241,000)

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

25 Parent undertaking and ultimate controlling party

The ultimate parent undertaking, and the largest and smallest group in which the results of the company are consolidated, is AES Engineering Limited, a company incorporated in Great Britain

Copies of the consolidated financial statements of AES Engineering Limited can be obtained from the Registered Office at Global Technology Centre, Mill Close, Bradmarsh Business Park, Rotherham S60 1BZ, United Kingdom

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