

Registered Number: 2101607

AESSEAL plc
Annual Report
for the year ended 31 December 2015



AESSEAL plc
Annual Report
for the year ended 31 December 2015
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AESSEAL plc

Directors and advisers

Directors

C J Rea OBE DL

R Rea

M O Williams

G W Bridge

S J Collins

C L Dickinson

A Colverson

J S Welsh

G Bingham

R J Smith

Company secretary

S M Dodd

Registered office

Global Technology Centre

Bradmarsh Business Park

Mill Close

Rotherham

S60 1BZ

Independent auditors

PricewaterhouseCoopers LLP

St Paul's Place

121 Norfolk Street

Sheffield

S1 2LE

Bankers

HSBC Bank plc

4th Floor, City Point

29 King Street

Leeds

LS1 2HL

AESSEAL plc

Strategic report for the year ended 31 December 2015

The directors present their strategic report on the company for the year ended 31 December 2015.

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 2016 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 results for the company reflected the difficult trading conditions during 2015. Sales improved slightly by 1.1% to £44.2m (2014: £43.7m). Strong cost control meant that materials as a percentage of sales reduced to 35.4% from 37.2%

International business remains challenging but AESSEAL sister companies around the world helped secure a satisfactory result for 2015. Particularly strong performers in the year against 2014 were AESSEAL China, AESSEAL Malaysia and AESSEAL Finland.

Operating profit fell slightly to £5.8m (2014: £6.2m) due to a foreign exchange loss of £0.2m on unhedged items and £0.2m of scheduled building repairs.

Net assets as at 31 December 2015 were £26.1m (2014: £26.9m) after paying £5.8m (2014: £2.0m) in dividends to AES Engineering Limited in the year.

Research and development

AESSEAL are committed to sustaining growth in a technologically advanced business through innovation and new product development, which are fundamental to the business. During the year the company has invested 9% of sales (2014: 9%) in research and development activities. Total research and development spending in 2015 was £3.9m (2014: £3.8m).

The mechanical seal division has developed a complete range of mechanical seals, which are able to compete across the market segments with its core competitors. The Group is confident that the AESSEAL technology is at the forefront of mechanical sealing technology. This continues to be a key factor in the continuing development of the business in demanding sectors such as Oil and Gas, Hydrocarbon Gas Transportation (Compressor Dry Gas Seals), Autoclaves, High Technology Mixer Seals and High Temperature Corrosive Applications.

AESSEAL plc

Strategic report for the year ended 31 December 2015 - continued

Principal risks and KPIs

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

A handwritten signature in black ink, appearing to read 'C J Rea'.

C J Rea OBE DL
Director
21 April 2016

AESSEAL plc

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

Results and dividends

The profit and loss account for the year is set out on page 10. A dividend of £5,750,000 (£115 per share) was paid on 12th May 2015 (2014: £2,000,000 (£40 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 (resigned 21 September 2015)

S M Shaw (resigned 21 September 2015)

G W Bridge

C D Guppy (resigned 21 September 2015)

M R Wood (resigned 21 September 2015)

S J Collins (appointed 26 May 2015)

C L Dickinson (appointed 21 September 2015)

A Colverson (appointed 21 September 2015)

J S Welsh (appointed 21 September 2015)

G Bingham

R J Smith (appointed 21 September 2015)

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 £42,129 (2014: £40,757) for charitable purposes in the year. No political donations were made during the year (2014: £nil).

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.

AESSEAL plc

Directors' report for the year ended 31 December 2015 - continued

Employees - continued

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 the applicable law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice and applicable law), including Financial Reporting Standard 102, the Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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 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

AESSEAL plc

Directors' report for the year ended 31 December 2015 – continued

Statement of directors' responsibilities - continued

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, of the Companies Act, each director who was at the time the report was approved confirms the following:

- 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/she ought to have taken as a director in order to make himself/herself aware; of any relevant audit information and to establish that the company's auditor is aware of that information.

Approved by and signed on behalf of the Board



C J Rea OBE DL
Director
21 April 2016

AESSEAL plc

Independent auditors' report to the members of AESSEAL plc

Report on the financial statements

Our opinion

In our opinion, AESSEAL plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

What we have audited

The financial statements, comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss account for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity as at 31 December 2015;
- 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

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

AESSEAL plc

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

- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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 and 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

AESSEAL plc

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

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.

A handwritten signature in black ink, appearing to read 'A Ward', written over a horizontal line.

Andy Ward (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Sheffield

21 April 2016

AESSEAL plc

Profit and loss account for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Turnover	1	44,214	43,699
Other operating income		437	418
Change in stocks of finished goods		242	22
		44,893	44,139
Raw materials and consumables		(15,770)	(16,243)
Staff costs	2	(15,071)	(14,339)
Depreciation and amortisation		(2,613)	(2,561)
Other operating charges		(5,650)	(4,819)
		(39,104)	(37,962)
Operating profit	3	5,789	6,177
Net interest receivable and similar income	4	148	104
Profit on ordinary activities before taxation		5,937	6,281
Tax on profit on ordinary activities	6	(606)	(1,343)
Profit for the financial year		5,331	4,938

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

AESSEAL plc

Statement of comprehensive income for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Profit for the financial year		5,331	4,938
Remeasurement loss recognised on forward contracts	13	(584)	(63)
Movement on deferred tax relating to forward contracts	17	117	13
Total other comprehensive expense for the year		(467)	(50)
Total comprehensive income for the year		4,864	4,888

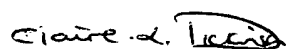
AESSEAL plc

Balance sheet as at 31 December 2015

Registered number: 2101607

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	8	1,746	1,676
Tangible assets	10	8,669	9,136
Investments	9	49	49
		10,464	10,861
Current assets			
Stocks	11	8,835	8,587
Debtors	12	15,405	17,540
Derivative financial assets	13	1,138	1,243
Cash at bank and in hand		686	612
		26,064	27,982
Creditors: amounts falling due within one year	14	(6,025)	(7,114)
Net current assets		20,039	20,868
Total assets less current liabilities		30,503	31,729
Creditors: amounts falling due after more than one year	15	(3,104)	(3,889)
Derivative financial liabilities	13	(496)	(17)
Provision for liabilities	17	(794)	(914)
Net assets		26,109	26,909
Capital and reserves			
Called up share capital	18	50	50
Cash flow hedge reserve		642	1,226
Retained earnings		25,417	25,633
Total shareholders' funds		26,109	26,909

The financial statements on pages 10 to 32 were approved by the board of directors on 21 April 2016 and were signed on its behalf by:



C L Dickinson ACA
Director

AESSEAL plc

Statement of changes in equity for the year ended 31 December 2015

	Called up share capital	Cash flow hedge reserve	Retained earnings	Total
	£000	£000	£000	£000
At 1 January 2014	50	-	23,219	23,269
Adjustment on transition to FRS 102	-	1,289	(613)	676
Profit for the year	-	-	4,938	4,938
Other comprehensive income	-	(63)	13	(50)
Dividends paid	-	-	(2,000)	(2,000)
Transfer to reserves in respect of equity settled share based payments	-	-	76	76
At 31 December 2014	50	1,226	25,633	26,909
Profit for the year	-	-	5,331	5,331
Other comprehensive income	-	(584)	117	(467)
Dividends paid	-	-	(5,750)	(5,750)
Transfer to reserves in respect of equity settled share based payments	-	-	86	86
At 31 December 2015	50	642	25,417	26,109

AESSEAL plc

Statement of accounting policies

General Information

AESSEAL plc's ('the company') principal activity is the design, development, manufacture, sale and support of mechanical seals, engineered sealing systems and related products.

The company is incorporated and domiciled in the UK. The address of its registered office is Global Technology Centre, Bradmarsh Business Park, Mill Close, Rotherham.

Statement of compliance

The individual financial statements of AESSEAL plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 25.

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the fair value basis for certain financial instruments and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

Exemptions for qualifying entities under FRS 102

The company is a wholly owned subsidiary of AES Engineering Limited. It is included in the consolidated financial statements of AES Engineering Limited which are publicly available.

Consequently the company is a qualifying entity as per FRS 100 and has taken advantage of the disclosure exemptions of FRS 102, Section 1, paragraph 1.12(b) statement of cash flows, 1.12(d) certain share based payments disclosures and 1.12(e) key management compensation in total.

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.

AESSEAL plc

Statement of accounting policies - continued

Tangible assets and depreciation - continued

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 is amortised over the period during which the company is expected to benefit.

Development costs are capitalised where they meet the following criteria:

- the technical feasibility of the intangible asset is completed so that it will be available for use or sale, and
- an intention to complete the intangible asset and use or sell it
- ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits. Among other things, demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
- Ability to measure reliably the expenditure attributable to the intangible assets during its development

Where these criteria are not met, development costs are written off in the year of expenditure.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In respect of work in progress, 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 stocks.

Deferred taxation

Deferred tax is provided in full 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 liabilities are not discounted.

AESSEAL plc

Statement of accounting policies - continued

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

The company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions or at an average rate where this rate approximates the actual rate at the date of the transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The effective portions of changes in the fair values of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the cash flow hedge reserve are recycled in the income statement in the periods when the hedged items will affect profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedge reserve at that time remains in the reserve and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

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.

AESSEAL plc

Statement of accounting policies - continued

Share based incentives

In accordance with FRS 102 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 102 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 FRS 102 this is presented as a separate component of the company's reserves and has no significance other than being the historical accumulation of the FRS 102 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.

Investments

Investments are shown at cost less any amounts written off for permanent diminution of value.

Critical accounting estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, economic utilisation and the physical condition of the assets. See notes 10 for the carrying values of plant, property and equipment.

Statement of accounting policies – continued

Critical accounting estimates and assumptions – continued

(b) Inventory provisioning

The company sells mechanical seals and related products and is subject to changing customer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 11 for the net carrying amount of the inventory.

(c) Capitalised development costs

Development projects where knowledge and understanding gained from research and practical experience are directed towards developing new products or processes, are recognised as intangible assets in the balance sheet when they meet the criteria for capitalisation. Development costs are capitalised when the technical and commercial feasibility of completing the product or process can be demonstrated and the product or process is intended to be sold or used. Probable future economic benefit related to the asset flowing to the company is also expected and can be reliably measured. The reported value includes all directly attributable compensation to employees working on a development project. Individual assessment is made of major ongoing research and development projects to determine whether these criteria have been met.

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2015

1 Turnover

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

As permitted by the Companies Act 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	2015 Number	2014 Number
Sales engineers	27	28
Management and administration	170	172
Production and stores	249	243
	446	443
Staff costs for the above persons were:	2015 £'000	2014 £'000
Wages and salaries	13,422	12,840
Social security costs	1,389	1,209
Other pensions costs	260	290
	15,071	14,339

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

3 Operating profit

	2015 £'000	2014 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of owned tangible assets	1,667	1,793
Depreciation of tangible assets held under hire purchase contracts	338	255
Amortisation of intangible assets	608	513
Auditors' remuneration including expenses		
- audit	23	22
- non-audit services	10	7
Operating leases - property	20	27
Research and development costs	3,941	3,824
Equity settled share based payments	86	76
Net foreign currency exchange losses	286	95
Loss/(profit) on disposal of fixed assets	14	(85)

4 Net interest receivable and similar income

	2015 £'000	2014 £'000
Interest receivable from other group companies	241	143
Interest payable on hire purchase obligations and finance leases	(81)	(4)
Interest payable on bank overdrafts	(12)	(35)
Net interest receivable and similar charges	148	104

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

5 Directors' emoluments

	2015 £'000	2014 £'000
Emoluments including benefits in kind	1,021	1,083
Company pension contributions to money purchase scheme	41	96
Gain on exercise of share options	436	195
	1,498	1,374

Retirement benefits are accruing to eight (2014: ten) directors under a money purchase scheme. During the year two (2014: one) directors of AESSEAL plc exercised share options in AES Engineering Limited.

Highest paid director	2015 £'000	2014 £'000
Emoluments including benefits in kind	122	155
Company pension contributions to money purchase scheme	6	6
Gain on exercise of share options	218	195
	346	356

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

6 Tax on profit on ordinary activities

	2015	2014
	£'000	£'000
Current tax:		
UK corporation tax on profits of the year	986	1,272
Group relief	(183)	(98)
Adjustments in respect of prior years	(194)	35
Current tax charge for the year	609	1,209
Deferred tax: timing differences (note 17)	(3)	134
Tax on profits on ordinary activities	606	1,343

During the year as a result of changes in the UK corporation tax rate to 21% which were substantively enacted on 2 July 2013 and were effective from 1 April 2014, and to 20% which were substantively enacted on 2 July 2013 and were effective from 1 April 2015, the current tax rate decreased to a hybrid rate of 20.25% for the year ended 31 December 2015.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The tax charged on the profit for the year is lower (2014: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2015	2014
	£'000	£'000
Profit on ordinary activities before taxation	5,937	6,281
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	1,202	1,350
Effects of:		
Expenses not deductible for tax purposes	126	94
Group relief	(183)	(98)
Other reliefs	(237)	(179)
Adjustment in respect of prior years	(194)	35
Origination and reversal of timing differences	(108)	141
Tax charge for the year	606	1,343

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

7 Dividends

	2015	2014
	£'000	£'000
Ordinary dividend paid: £115 per share (2014: £40 per share)	5,750	2,000

8 Intangible assets

	Deferred development expenditure
	£'000
Cost	
At 1 January 2015	4,906
Additions	678
At 31 December 2015	5,584
Accumulated depreciation	
At 1 January 2015	3,230
Charge for the year	608
At 31 December 2015	3,838
Net book value	
At 31 December 2015	1,746
At 31 December 2014	1,676

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

9 Investments

	£'000
At 1 January 2015 and 31 December 2015	49

Interest in group undertakings

The undertakings of the company at 31 December 2015, all of which are included in the group consolidated financial statements, are shown below;

Name	Country of incorporation	Class of share	% held
AESSEAL Colombia SA	Colombia	Ordinary	1.5
AESSEAL Saudi Arabia Company Limited	Saudi Arabia	Ordinary	5
Pump Support Systems Limited	England and Wales	Ordinary	100

The directors believe that the carrying value of the investments is supported by the underlying net assets of the investments.

All companies have a year end of 31 December 2015 and are fully owned by the AES Engineering Limited group, which AESSEAL plc are part of.

AESSEAL Colombia SA and AESSEAL Saudi Arabia Company Limited both operate as distributors of mechanical seals.

Pump Support Systems Limited is a non-trading dormant company.

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

10 Tangible assets

	Land and buildings	Plant, fixtures and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2015	376	27,738	1,021	29,135
Additions	-	1,467	137	1,604
Disposals	-	(1,665)	(168)	(1,833)
At 31 December 2015	376	27,540	990	28,906
Accumulated depreciation				
At 1 January 2015	46	19,206	747	19,999
Charge for the year	4	1,843	158	2,005
Disposals	-	(1,600)	(167)	(1,767)
At 31 December 2015	50	19,449	738	20,237
Net book value				
At 31 December 2015	326	8,091	252	8,669
At 31 December 2014	330	8,532	274	9,136

The cost of depreciable assets included in land and buildings is £376,000 (2014: £376,000).

The net book value of tangible assets includes an amount of £2,582,249 (2014: £2,988,000) in respect of assets held under hire purchase contracts or finance leases.

11 Stocks

	2015	2014
	£'000	£'000
Raw materials, work in progress and consumables	1,859	1,853
Finished goods and goods for resale	6,976	6,734
	8,835	8,587

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

12 Debtors

	2015 £'000	2014 £'000
Trade debtors	2,661	3,824
Amounts owed by group undertakings	11,567	12,985
Other debtors	465	259
Prepayments	712	472
	15,405	17,540

Amounts owed by group undertakings are trading balances which are unsecured, interest free and repayable on demand.

13 Derivative financial assets and liabilities

	2015 £'000	2014 £'000
Derivative financial assets measured at fair value	1,138	1,243
Derivative financial liabilities measured at fair value	(496)	(17)
	642	1,226

At 31 December 2015 the company held forward exchange contracts to sell \$44,755,000 (2014: \$19,220,000) and €16,200,000 (2014: €18,000,000) at exchange rates ranging between \$1.4752 - \$1.5730 and €1.1433 - €1.3408 respectively. Of these \$16,550,000 (£11,216,125) and €6,600,000 (£4,835,165) fall due within one year.

Forward contracts are designated as cash flow hedges against forecast foreign currency sales. Gains on forward contracts on maturity were recycled from other comprehensive income to turnover which amounted to £1,031,000 (2014: £1,023,000).

Compared to market rates at year end, the amounts receivable under these contracts give rise to a loss in other comprehensive income of £584,000 (2014: £63,000).

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

14 Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Bank overdraft	640	639
Obligations under finance leases and hire purchase agreements	633	615
Trade creditors	2,108	1,999
Amounts owed to group undertakings	1,168	1,366
Corporate tax payable	157	545
Other taxation and social security	346	429
Accruals and deferred income	973	1,521
	6,025	7,114

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

15 Creditors: amounts falling due after more than one year

	2015	2014
	£'000	£'000
Obligations under finance leases and hire purchase agreements	1,949	2,582
Deferred income	1,155	1,307
	3,104	3,889

Deferred income represents unrecognised grant income. In 2015 £232,462 (2014: £197,000) was recognised within the profit and loss account within other income.

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

16 Obligations under finance leases and hire purchase agreements

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

	2015 £'000	2014 £'000
Due within one year	697	697
Between one and five years	2,033	2,730
Total gross payments	2,730	3,427
Less finance charges included above	(148)	(230)
	2,582	3,197

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

17 Provision for liabilities

Deferred taxation	2015 £'000	2014 £'000
At 1 January	914	793
Origination of timing differences on profit related activities	(3)	134
Origination of timing differences within other comprehensive income	(117)	(13)
At 31 December	794	914

	2015 £'000	2014 £'000
Deferred taxation provided in the accounts comprises		
Timing differences:		
Accelerated capital allowances	698	714
Other timing differences	(32)	(45)
Derivative financial assets and liabilities	128	245
	794	914

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

18 Called up share capital

	2015 £'000	2014 £'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.

19 Capital and other financial commitments

Plant, fixtures and equipment	2015 £'000	2014 £'000
Capital expenditure authorised and contracted for	165	426

20 Leasing commitments

At 31 December 2015 the company had total commitments under non-cancellable operating leases expiring as follows:

Land and buildings	2015 £'000	2014 £'000
Within one year	20	20
Between two to five years	78	78
After five years	939	958
	1,037	1,056

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

21 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 £69,146 (2014: £68,149).

22 Related party transactions and balances

AESSEAL plc had the following transactions and balances with related parties that were not wholly owned subsidiaries or wholly owned by a member of the AES Engineering Limited group.

Sales and purchases	2015	2014
	£'000	£'000
Sales	8,427	7,934
Purchases	379	1,446
Year end balances		
Amounts due to	94	386
Amounts due from	1,460	1,653

23 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 2015 borrowings covered by these guarantees amounted to £2,606,000 (2014: £12,364,000).

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

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

24 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.

25 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and as reported under FRS 102.

Profit for the financial year	2014	2014
	£'000	£'000
Profit for the financial year previously stated under UK GAAP		5,186
Holiday pay accrual	(10)	
Derivative financial instruments	(273)	
Total adjustment to profit before tax for the financial year		(283)
Deferred tax		35
Profit for the financial year reported under FRS 102		4,938

Other comprehensive income for the year	2014
	£'000
Other comprehensive income for the financial year previously stated under UK GAAP	5,186
Total adjustment to profit after tax for the financial year	(248)
Derivative financial instruments	(63)
Deferred tax	13
Other comprehensive income for the financial year reported under FRS 102	4,888

AESSEAL plc

Notes to the financial statements for the year ended 2015 - continued

25 Transition to FRS 102 - continued

Total shareholders' funds	As at	As at
	1 January	31 December
	2014	2014
	£'000	£'000
Total shareholders' funds for the financial year previously stated under UK GAAP	23,269	26,529
Holiday pay	-	(10)
Recognition of forward contracts	1,289	954
Deferred tax	(613)	(564)
Total shareholders' funds for the financial year reported under FRS 102	23,945	26,909

Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. This has resulted in the company recognising a liability for holiday pay of £10,000 during 2014 as a result of transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the profit and loss account as they were paid. In the year to 31 December 2015 an additional charge of £3,000 was recognised in the profit and loss account and the liability at 31 December 2015 was £13,000.

Derivative financial instruments

FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements but on transition they have been designated as a cash flow hedge against forecast foreign currency sales on transition. Accordingly at transition an asset of £1,289,000 was recognised and a loss of (£63,000) was recognised in the profit and loss account for the year ended 31 December 2014. A net asset of £1,226,000 was recognised at that date.

Furthermore previously under UK GAAP the company translated all foreign currency transactions at forward contract rates. All foreign currency transactions in 2014 have been retranslated to spot rate.

Deferred taxation

Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently deferred tax has been recognised on origination of timing differences for capitalised R&D. A deferred tax liability has also been recognised on the recognition of forward contracts, previously not recognised.