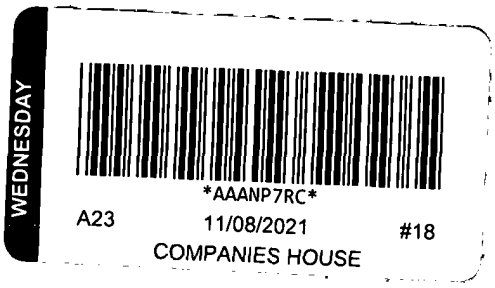
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AESSEAL plc

Annual Report

for the year ended 31 December 2020



AESSEAL plc

Annual Report

for the year ended 31 December 2020

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AESSEAL plc

Directors and advisers

Directors
C J Rea CBE DL
M O Williams
R Rea
C L Dickinson
J S Welsh
J H Chappell
N Shabir

Company secretary
N Shabir

Registered office
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Mill Close
Bradmarsh Business Park
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S60 1BZ

Independent auditors
KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Banker
HSBC Bank plc
4th Floor, City Point
29 King Street
Leeds
LS1 2HL

AESSEAL plc

Strategic report
for the year ended 31 December 2020

The directors present their strategic report on the company for the year ended 31 December 2020.

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 that our growth will continue in 2021 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 company entered the COVID-19 pandemic from a position of strength operationally, financially and strategically. Throughout the pandemic, our top priority has been to ensure the safety of our colleagues and customers whilst keeping the business running flawlessly to ensure exceptional customer service.

As a result the sales declined 7.2% from £56.6m to £52.5m. Operating profit declined £1.1m from £6.0m to £4.9m mainly as a result in the reduced sales but also impacted by continued investment in research and development and capital expenditure despite being in a pandemic. Operating profit for the year ended 31 December 2020 included foreign exchange losses of £0.46m (2019: £0.31m).

Net assets as at 31 December 2020 were £42.7m (2019: £39.1m). The company has continued to expand its manufacturing capacity in the business investing £4.5m on tangible assets.

Given the unique circumstances of this trading period we are reassured by the strength and agility of the AES employees to respond quickly and decisively to take advantage of all opportunities.

The strength and flexibility we have built into the business has underpinned a robust performance in challenging market conditions and gives us confidence for future strategic growth. We continue to carefully manage the coronavirus situation being fully committed to providing a safe environment for our employees and ensuring business continuity for the benefit of our customers. We already have in place processes to protect our staff practically with infection control measures as well as nurturing their wellbeing and communicating effectively. This is all in addition to the effective new ways to deliver services to our new and existing customers given the travel restrictions which remain in place

The company has robust stocking policies and logistics capabilities which strengthen our ability to continue to deliver customer service. In addition, we have alternative supplies from different areas of the world which will allow us to continue to supply our customers many of whom are in key industries.

Strategic report
for the year ended 31 December 2020 - continued

Research and development
Following forty years of continued product development the business now has a range of differentiated and enhanced patented technology for almost all Wet and Dry Gas Seal applications. Increasingly the organisation is selling extreme duty seals for applications such as Boiler Feed, Boiler Recirculation, High Pressure Re-injection Pumps, Pipeline, Extreme Pressure and Temperature Autoclave and Dry Gas Compressor Seals.

The company now believes that it can seal as large a percentage of global applications, including Extreme Duty applications, as any other global mechanical seal supplier. Development will now focus on emerging technologies.

The Company has just received its 12th Queen's award for Enterprise in the Innovation category for a specialised mixer seal of the type required in vaccine manufacture and other complex industrial operations.

During the year to 31 December 2020 the company invested 7.6% of sales (2019: 7.1%) on research and development activities. Total research and development spend in 2020 was £4.0m (2019: £4.0m).

Key competitive advantage
Cost effective product offerings and excellent delivery performance come from world class product design and processes. At least 80% of all orders are assembled to order, which is always faster and significantly less costly than the industry norm of producing low volumes of complete assemblies to order.

All product ranges from Component (Single) Seals to Gas Seals have now been developed in strict accordance with DCVIL principles. Product and process Design (D) for Configured (C) assembly to order, with a high level of Vertical Integration (VI) for Customer Service, which leads to a Lean (L) business model that does not exist in any other global mechanical seal manufacturer and which cannot easily be replicated and provides a key and sustainable competitive advantage.

Major productivity improvement
The company has embarked on an initiative to automate all design, Computer Aided Manufacturing and Co-ordinate Measuring activities which has been made possible as products have been designed in accordance with the DCVIL principle and rules based technology tasks are better performed by Smart computing technology. This ongoing initiative is expected to release 50% of the skilled professionals in design and Computer Aided Manufacturing positions to work on complex tailor-made engineered product solutions that require a level of decision making that can only be performed by a human being.

The major impact will be a massive enhancement in customer service responsiveness for complex engineered products which the directors believe will give the company another unique competitive advantage.

The integration of mechanical, electrical and software engineering
The group has also developed and introduced a fully automated manufacturing robot requiring no intervention leading to increased speed and efficiency to exceed even the highest customer expectations. The barcode recognition software gives automation to both high volume and one-off jobs. The AES Super Cell selects the jaws, fits the jaws, machines the parts, measures and deburrs in cycle, also deburrs, washes, dries and conducts a final CMM inspection externally to the machines, but inside the cell. The cell is the subject of a patent application as it is probably the world's first robotic cell for small batch production with no human intervention inside the cell.

Customer service excellence
Our determination to work to the very highest standards is exemplified by the certifications we hold to ISO9001 and ISO/TS29001 (Quality Management), ISO 14001 (Environmental Management), OHSAS 18001 (Health and Safety Management), ISO 20000 (IT Systems Management), ISO 27001 (Information Security Management System), ISO 50001 (Energy Management) and ISO 37001 (Anti-Bribery Management).

Section 172 Reporting
The Directors of the company and those of all UK companies must act in accordance with a set of general duties. These duties are detailed in s172 of the UK Companies Act 2006 which are summarised below;
'A Director of a Company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the shareholders as a whole and in doing so have regard (amongst other matters) to;

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customer and others
- the impact of the company's operations on the community and the environment
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.'

Long term decision making
As an organisation our purpose, our core values, our vision and our policies are all aligned to the duties described above.

Our Vision is "To Be The World Leading Reliability Company.... That also manufactures sealing products" which means all decisions consider the long-term vision of the Company and therefore the long term effects of the decisions the Directors make.

The Directors have approved significant capital expenditure which will benefit the company over many years, investing in buildings, plant and machinery including the AES Super Cell, with a total of £4.5m invested in 2020. The Directors are also at the heart of the significant research and development programmes designing products and services for the long-term future of the company all of which were maintained throughout the pandemic as the directors believed slowing down such programmes would inhibit future growth strategies.

Our People
This has been undoubtedly a unique year where our employees have gone above and beyond to ensure the safety of our colleagues and customers. A key focus throughout the pandemic has also been employee wellbeing and engagement whilst working from home.

The Directors recognise the value of the people the company employs and understands that without them the business could not succeed. The business always seeks to treat all its employees in a fair and equal manner with no discrimination against any protected characteristics of individuals. As an engineering business, it feels the pressure of the skills gap and, therefore, invests to develop its own talent to ensure a sustainable skilled workforce. These efforts have been recognized with the business maintaining the Investors in People standard since 1994.

The Directors also ensure that the facilities are always kept to a high standard and are always safe, comfortable places to work. There has been no exception to this throughout the pandemic. The culture of continuous improvement has gained positive results with its health and safety record. Directors assess and reduce risk, invest in equipment and involve employees at all levels.

Business Relationships
As the Directors promote the success of the company, we need to develop and maintain strong business relationships with both customers and suppliers to be able to succeed. The Directors receive information on a variety of topics that indicate and inform how these stakeholders have been engaged with. We work with customers to deliver added value and long-term reliability solutions.

Community and Environment
The company is one of the few companies that have a published a Global warming policy as our investment decisions will always take into account sustainability and environmental factors as well as the success of the company. The Directors have also provided the policy on the https://betterworld.solutions website, copyright free, for any organisation that wants to adopt an Investment Policy to Prevent Global Warming.

Ethical and fair behaviour to maintain the company's reputation
The Directors have always recognised the importance of the governance of its business operating in a highly ethical manner in all its operations, such that its reputation may never be brought into disrepute. The Directors respect people for who they are and what they are capable of doing. Everyone deserves an equal chance to succeed based on their hard work, talent and commitment to the Company's values. Should any unethical business practices be discovered, employees at all levels are able to report them, either directly to the compliance committee, or through the independent hotline.

On 25 September 2018 the Company received from the Lord Mayor of London, the inaugural Business of Trust Dragon Award. This award has resonated deeply within our business as it recognises the foundation upon which our core values are built. We now hold our own AES Dragon Awards day on 25 September to celebrate the success of our people globally.

Strategic report
for the year ended 31 December 2020 - continued

Sustainability Strategy
The company's sustainability strategy covers the following:

- Enhancing the health, safety and well-being of its employees
- Developing its people and providing high quality employment opportunities
- Protecting the environment by reducing both its own and its customers' impact
- Providing benefits to local communities and particularly to those less advantaged
- Respecting human rights
- Operating in an ethical and transparent manner

Our Sustainability Strategy shows that the interests of the company's employees, the sustainability of our customers' decisions, the local communities and the environment, how we strive to act fairly with high moral standard of behaviour, are at the heart of the Directors' decision making process.

The company is committed to providing a safe and rewarding workplace, operating ethically, supporting its local communities, minimizing its impact on the environment and engaging its stakeholders. As a company it must continue to reduce its impact on the environment, attract gifted engineers and other skilled employees, and offer the solutions that meet increasingly demanding applications and customers. The company always aims to exceed expectations and lead by example, operating in an ethical manner and working towards the UN's Sustainable Development Goals.

Environmental impact and carbon use disclosures
The company has consistently put sustainability projects first for capital investment and we have published our Investment Policy to Prevent Global Warming through technological change and investment decisions and we intend to encourage other businesses to do so. Throughout the period ended 31 December 2020 the company has continued to strive toward creating a more socially, environmentally, and economically sustainable business.

The company regularly reviews its sustainability strategy and as such can positively state that AESSEAL plc has reached a major environmental milestone in achieving a beneficial impact on the environment in 2020.

"Beyond Net Zero"

Following the achievement of UK Net Zero carbon emissions for Scope 1 and 2 emissions AESSEAL plc sought independent verification of Scope 1 to 3 emissions, as well as the balancing impact of the emissions avoided by the use of the company's key products – the AESSEAL Water Management Systems. The independent consultants verified that AESSEAL's total (scope 1 to 3) emissions for 2020, which include direct emissions from things like business travel, amounted to 46,352 tonnes of CO2e in 2020. They also separately verified that the emissions avoided by the use of AESSEAL's Water Management Systems, totalled 64,284 tonnes of CO2e in 2020 which is a net benefit to the environment.

The company has achieved UK net zero carbon emissions by:

- Continual improvement in line with integrated management systems and its certification to ISO 14001 and ISO 50001 for key operational sites
- Programmes of training and awareness to improve employee understanding of climate change and the behavioural impacts on energy use
- Driving down energy use by adopting energy saving technologies including high efficiency compressors, building management systems, intelligent controls, LED lighting and voltage optimisation
- Purchasing all remaining electricity on zero emission at point of generation tariffs
- Fleet replacement programme encouraging drivers to select lower emission vehicles

The approach and data was verified using the independent assessment body SGS.

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, we report on our greenhouse gas ('GHG') emissions as part of this annual Strategic Report. The methodology used to calculate our emissions is based on the UK Government's Environmental Reporting Guidelines (2013) and emission factors from the 2017 Government GHG Conversion Factors for Company Reporting.

Today's more socially conscious society means that the company's customers and employees place a premium on working for, or with, a company with a focus on Corporate Governance. The company's sustainability strategy demonstrates a commitment to these values that provides a focused and practical framework. Where possible, it supports its strategy with third party standards or accreditations that ensure its actions are thoroughly controlled, managed and independently audited.

As the company meets the reporting obligations under the SECR regulations the following key performance indicators relate to those companies.
Scope 1 GHG emissions include those from supplied mains gas, fleet vehicles, bottled gases (e.g. propane), other fuels consumed onsite (e.g. diesel) and any fluorinated refrigerant gases.
Scope 2 GHG emissions are limited to those from Electricity. There are no other Scope 2 emissions associated with the business activities.
Scope 3 GHG emissions include value chain emissions

	Ratio to Turnover Tonnes CO2e 2020	Absolute Tonnes CO2e 2020	Absolute KWh 2020
Gas consumption	3.54	188	1,024,000
Fleet emissions	1.48	79	264
Other emission	-	1	-
Net scope 1 Emissions	5.02	268	1,024,264
Electricity consumption	-	-	3,654,000
Net scope 1 and scope 2 emissions	5.02	268	4,678,264

	Absolute Tonnes CO2e 2020
Scope 3 Emissions	46,352
Product Emissions Avoidance	(64,284)
Net Scope 3 GHG Emissions	(17,932)

Going forward the company will be installing further voltage optimisation across certain sites. The first phase of fleet electrification will also take place in 2021 with the installation of charging infrastructure at head office and the purchase of electric cars and vans.

Withdrawal of the United Kingdom from the European Union
The UK has now left the EU and the transition period also ended on 31 December 2020. Supply chain disruption was the main risk to the company following the transition period however we continue to actively engage with our key suppliers and freight forwarders to reduce any impact on supply chains and distribution of our own products to customers. We have maintained Authorised Economic Operator status to enable streamlined border checks. The company has a diverse geographical customer base and is experienced in trading under multiple global trade and customs arrangements.

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 Strategic 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

C J Rea

C J Rea CBE DL
Director
7 June 2021

AESSEAL plc

Directors' report
for the year ended 31 December 2020

The directors present their report and the audited financial statements of the company for the year ended 31 December 2020.

The principal risks and uncertainties of the company, including credit, liquidity and cash flow risk of the company, and the development, performance and position of the company are discussed in the Strategic report of AES Engineering Limited's Annual Report which does not form part of this report.

Results and dividends
The profit and loss account for the year is set out on page 16. No dividend was paid in 2020 (2019:nil).

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

C J Rea CBE DL
M O Williams
R Rea
G Bingham (resigned 19th March 2020)
A Colverson (resigned 6th January 2021)
C L Dickinson
R J Smith (resigned 19th March 2020)
J S Welsh
M J C McKervey (resigned 29th June 2020)
N Shabir (appointed 29th June 2020)
J H Chappell (appointed 26th October 2020)

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 £4,028 (2019: £9,650) for charitable purposes in the year. No political donations were made during the year (2019: £nil).

Employee Engagement
Communication is crucial to helping employees engage with the business. We communicate through team briefings, presentations, lunch and learn, intranet and newsletters. The company has well-established forums for exchanging information and best practice, as well as discussing business issues, including efficiency initiatives, training and development, environmental and health & safety issues. In addition to this we hold strategic away days for a cross-section of employees to interact with different departments and the Directors; this is an opportunity for directors to engage with the high-potential-talent individuals. All employees contribute to and understand the company's business culture - particularly the needs of the customers it serves. The company also uses employee surveys to establish feedback. The Board continues to encourage improvements in systems, processes and benefits which impact the health, safety and wellbeing of our employees.

Employee engagement - 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, 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 company'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.

Stakeholder engagement
Understanding the views and interests of our key stakeholders is important to the Board and the Directors have taken steps to consider stakeholders' view in Board discussions and decision-making. Different guests have been invited to board meetings both internally and externally to discuss topics upon which the board are making strategic decisions

Restatement of prior period
The financial statements for the year ended 31 December 2019 contained forward currency contracts which the company used to hedge against the company's forecast transactions in US Dollars and Euros. Some of these contracts are in the name of the parent company AES Engineering Limited and therefore the company has removed the derivatives, reversed the effect of the hedge accounting and recognised a receivable for the net amounts paid by the company on the derivatives. This was not reflected in the prior period financial statements and as a result the comparative in these accounts have been restated, in line with FRS 102 Section 10, Accounting Policies, Estimates and Errors. The full impact of the restatement on the individual line items is detailed in note 22 on pages 37 - 38.

AESSEAL plc

Directors' report
for the year ended 31 December 2020 – continued

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves 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



C J Rea CBE DL
Director
7 June 2021

AESSEAL plc

Independent auditors' report to the members of AESSEAL plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AESSEAL PLC ("the company") for the year ended 31 December 2020 which comprise the profit & loss account, statement of comprehensive income, the balance sheet, the statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to AESSEAL Plc's policies and procedures to prevent and detect fraud that apply to this company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud;
- Reading board minutes;
- Considering remuneration incentive schemes and performance targets; and
- Using analytical procedures to identify unusual or unexpected relationships.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, including: the risk that revenue is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify additional fraud risks.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. In determining the audit procedures we have taken into account the results of our evaluation and we performed procedures including:

- Identifying journals posted and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to unusual accounts involving revenue and cash.
- For a sample of revenue transactions around the period end, vouching to supporting external documentation to corroborate whether those items were recorded in the correct accounting period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and certain aspects of company legislation, recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

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

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

David Caseldine D.C. .
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

8 June 2021

AESSEAL plc

Profit and loss account
for the year ended 31 December 2020

	Note	2020	Restated 2019
		£'000	£'000
Turnover	1	**52,502**	56,628
Change in stocks of finished goods and in work in progress		**1,577**	1,424
Other operating income		**468**	545
		54,547	58,597
Raw materials and consumables		**(20,241)**	(22,763)
Staff costs	2	**(18,641)**	(18,413)
Depreciation and amortisation	3	**(4,260)**	(3,666)
Other operating expenses		**(6,456)**	(7,784)
Total operating expenses		**(49,598)**	(52,626)
Operating profit	3	**4,949**	5,971
Net interest receivable/(payable)	4	**16**	(42)
Profit before taxation		**4,965**	5,929
Tax on profit	6	**(1,096)**	(973)
Profit for the financial year		**3,869**	4,956

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 2020

	Note	2020	Restated 2019
		£'000	£'000
Profit for the financial year		**3,869**	4,956
Remeasurement income recognised on forward contracts		**(569)**	1,446
Movement on deferred tax relating to forward contracts	15	**111**	(262)
Total other comprehensive expense for the year		**(458)**	1,184
Total comprehensive income for the year		**3,411**	6,140

AESSEAL plc

Balance sheet
as at 31 December 2020

Registered number: 2101607

	Note	2020 £'000	Restated 2019 £'000
Fixed assets			
Intangible assets	7	**3,173**	3,265
Tangible assets	9	**20,968**	18,713
Investments	8	**49**	49
		24,190	22,027
Current assets			
Stocks	10	**12,973**	12,317
Debtors	11	**21,046**	20,482
Derivative financial assets	12	**46**	661
Cash at bank and in hand		**3,318**	985
		37,383	34,445
Creditors: amounts falling due within one year	13	**(17,395)**	(15,961)
Derivative financial liabilities	12	**-**	(30)
Net current assets		**19,988**	18,454
Total assets less current liabilities		**44,178**	40,481
Creditors: amounts falling due after more than one year	14	**(118)**	(311)
Provision for other liabilities	15	**(1,389)**	(1,103)
Net assets		**42,671**	39,067
Capital and reserves			
Called up share capital	16	**50**	50
Cash flow hedge reserve	12	**62**	631
Retained earnings		**42,559**	38,386
Total shareholders' funds		**42,671**	39,067

The financial statements on pages 16 to 38 were approved by the board of directors on 7 June 2021 and were signed on its behalf by:

C J Rea CBE DL
Director

AESSEAL plc

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Cash flow hedge reserve	Retained earnings	Total shareholders funds
	£000	£000	£000	£000
At 1 January 2019 - restated	50	(815)	33,506	**32,741**
Profit for the financial year – restated	-	-	4,956	**4,956**
Total other comprehensive income/(expense) - restated	-	1,446	(262)	**1,184**
Transfer to reserves in respect of equity settled share-based payments	-	-	186	**186**
At 31 December 2019 – restated	50	631	38,386	**39,067**
Profit for the financial year	-	-	3,869	**3,869**
Total Other comprehensive income/(expense)	-	(569)	111	**(458)**
Transfer to reserves in respect of equity settled share-based payments	-	-	193	**193**
At 31 December 2020	**50**	**62**	**42,559**	**42,671**

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 limited by shares, and is incorporated and domiciled in the UK. The address of its registered office is Global Technology Centre, Mill Close, Bradmarsh Business Park, Rotherham, S60 1BZ.

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, and 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.

Basis of preparation
The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The directors have prepared detailed cash flow forecasts for a period of 13 months from the date of these financial statements. The forecasts consider the directors' views of current and future economic conditions that are expected to prevail over the period. These forecasts include assumptions regarding future revenues and costs together with risks and mitigating actions where applicable.

The forecasts indicate the Company is able meet its liabilities as they fall due throughout the period to 30 June 2022

Taking account of anticipated continuing impact of COVID-19 on the operations and its financial resources, the directors have modelled a severe but plausible downside scenario sensitivity which allows for a further two month period of lockdown between the date of these accounts and 30 June 2022. The business continued to trade profitably through various 2020 and 2021 lockdown periods and would expect to be able to do so again, should the government impose further lockdown restrictions in the future. As a result, the group decided not to renew its (unutilised) revolving loan facility in March 2021 and as at 31 December 2020 the group had significant net cash reserves of £33,634,000. Taking into account the severe but plausible downside before other mitigating actions available, the company and the group is still able to operate with significant positive cash levels throughout the period to 30 June 2022. Accordingly, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Statement of accounting policies - continued

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.

Prior period restatement
The financial statements for the year ended 31 December 2019 included derivative currency contracts used to hedge the company's transactions denominated in US Dollar and Euro's. Some of these contracts are in the name of the parent company AES Engineering Limited. The financial statements have been restated to reflect this and the full impact of the restatement on the individual line items is detailed in note 22 on pages 37 - 38.

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

An asset under construction will be transferred to Plant, fixtures and equipment when it has reached the working condition for its intended use.

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.

Statement of accounting policies – continued

Intangible assets - continued
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.

Amortisation is calculated to write off the cost of the intangible asset over the estimated economic life. The amortisation period for deferred development costs is 5 years and for software it is 25 years.

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.

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.

Statement of accounting policies - continued

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 profit and loss statement.

Amounts accumulated in the cash flow hedge reserve are recycled in the profit and loss 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 profit and loss 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 profit and loss 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.

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.

Statement of accounting policies – continued

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 judgements
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) 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 10 for the net carrying amount of the inventory.

(b) 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.

Notes to the financial statements for the year ended 31 December 2020

1 Turnover

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

In the opinion of the directors disclosure of the company's turnover split by geographical market would be seriously prejudicial to the interests of the company, therefore such information has not been disclosed.

2 Staff costs

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

By activity	2020 Number	2019 Number
Sales engineers	24	23
Management and administration	218	222
Production and stores	241	256
	483	501

Staff costs for the above persons were:	2020 £'000	2019 £'000
Wages and salaries	16,444	16,601
Social security costs	1,851	1,475
Other pensions costs	346	337
	18,641	18,413

3 Operating profit

	2020 £'000	2019 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of owned tangible assets	3,803	3,023
Amortisation of intangible assets	457	643
Auditors' remuneration including expenses		
- audit	46	32
- non-audit services	6	6
Operating leases – property	37	37
Research and development costs	3,965	4,045
Equity settled share-based payments	192	186
Net foreign currency exchange losses – 2019 restated	463	309
Profit on disposal of fixed assets	(48)	(30)

4 Net interest receivable/(payable)

	2020 £'000	2019 £'000
Interest receivable from other group companies	30	12
Interest payable on hire purchase obligations and finance leases	-	(8)
Interest payable on bank overdrafts	(14)	(46)
Net interest receivable/(payable)	16	(42)

5 Directors' emoluments

	2020	2019
	£'000	£'000
Emoluments including benefits in kind	**964**	872
Company pension contributions to money purchase scheme	**32**	33
Gain on exercise of share options	**44**	-
	1,040	905

Retirement benefits are accruing to eight (2019: nine) directors under a money purchase scheme. During the year two (2019: no) directors of AESSEAL plc exercised share options in AES Engineering Limited. There was one (2019: no) director of AESSEAL plc to whom share options were granted during the year.

Highest paid director	**2020**	2019
	£'000	£'000
Emoluments including benefits in kind	**183**	200
Company pension contributions to money purchase scheme	**19**	18
	202	218

6 Tax on profit

	2020	2019
	£'000	£'000
Current tax:		
UK corporation tax on profits of the year	671	666
Adjustments in respect of prior years	28	(46)
Current tax charge for the year	699	620
Deferred tax: timing differences (note 15)	397	353
Tax on profits	1,096	973

Corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the year. Deferred tax balances at the year-end have been measured at 19% (2019: 19%) being the rate at which timing differences are expected to reverse.

The tax charged on the profit for the year is the higher (2019: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2020	Restated 2019
	£'000	£'000
Profit before taxation	4,965	5,929
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	943	1,127
Effects of:		
Expenses not deductible for tax purposes	(13)	175
Other reliefs	(61)	(87)
Adjustment in respect of prior years	28	(46)
Origination and reversal of timing differences	199	(196)
Tax charge for the year	1,096	973

7 Intangible assets

	Deferred Development expenditure	Software	Total
	£'000	£'000	£'000
Cost			
At 1 January 2020	7,334	2,143	9,477
Additions	365	-	365
At 31 December 2020	**7,699**	**2,143**	**9,842**
Accumulated depreciation			
At 1 January 2020	6,127	85	6,212
Charge for the year	371	86	457
At 31 December 2020	**6,498**	**171**	**6,669**
Net book value			
At 31 December 2020	**1,201**	**1,972**	**3,173**
At 31 December 2019	1,207	2,058	3,265

8 Investments

	£'000
At 1 January 2020 and 31 December 2020	**49**

Interest in group undertakings

The undertakings of the company at 31 December 2020, are shown below;

Name	Registered address	Class of share	% held
AESSEAL Colombia SA	Calle 25G No. 85B - 65 Barrio Santa Cecilia de Modelia	Ordinary	1.5
AESSEAL Saudi Arabia Company Limited	2nd Industrial City, Mekkahh Street, Damman 34334, P.O Box 6770	Ordinary	5

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

AESSEAL Colombia SA and AESSEAL Saudi Arabia Company Limited both operate as distributors of mechanical seals, have a year end of 31 December 2020 and are fully owned by the AES Engineering Limited group, of which AESSEAL plc is a part.

9 Tangible assets

	Land and buildings	Plant, fixtures and equipment	Assets under construction	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2020	376	45,918	82	985	47,361
Additions	-	6,067	-	21	6,088
Disposals	-	(86)	-	(193)	(279)
Transfer	-	82	(82)	-	-
At 31 December 2020	**376**	**51,981**	**-**	**813**	**53,170**
Accumulated depreciation					
At 1 January 2020	64	27,820	-	764	28,648
Charge for the year	3	3,680	-	120	3,803
Disposals	-	(60)	-	(189)	(249)
At 31 December 2020	**67**	**31,440**	**-**	**695**	**32,202**
Net book value					
At 31 December 2020	**309**	**20,541**	**-**	**118**	**20,968**
At 31 December 2019	312	18,098	82	221	18,713

The cost of depreciable assets included in land and buildings is £376,000 (2019: £376,000).

The net book value of tangible assets includes an amount of £nil (2019: £nil) in respect of assets held under hire purchase contracts or finance leases.

10 Stocks

	2020	2019
	£'000	£'000
Raw materials, work in progress and consumables	1,729	2,650
Finished goods and goods for resale	11,244	9,667
	12,973	12,317

11 Debtors

	2020	Restated 2019
	£'000	£'000
Trade debtors	2,896	3,624
Amounts owed by group undertakings	11,805	10,445
Other debtors	2,455	4,963
Non-derivative financial asset	2,238	-
Corporate tax recoverable	443	-
Prepayments and accrued income	1,209	1,450
	21,046	20,482

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

12 Derivative financial assets and liabilities

	2020	Restated 2019
	£'000	£'000
Derivative financial assets: amounts falling due within one year	46	452
Derivative financial assets: amounts falling due after more than one year	-	209
Derivative financial liabilities: amounts falling due within one year	-	(30)
	46	631

12 Derivative financial assets and liabilities – continued

All derivative financial assets and liabilities are measured at fair value.

At 31 December 2020 the company held forward exchange contracts to sell €3,000,000 (2019 - restated: €13,800,000) at an exchange rate of €1.0918. Of these €3,000,000 (£2,747,756) fall due within one year (2019 - restated: €10,380,000 (£9,206,141)).

Losses on forward contracts on maturity were recycled from other comprehensive income to turnover which amounted to £12,000 (2019 - restated: £524,000 loss).

Compared to market rates at year end, the amounts receivable under these contracts give rise to a loss in other comprehensive income of £569,000 (2019 - restated: £1,446,000 gain).

13 Creditors: amounts falling due within one year

	2020	Restated 2019
	£'000	£'000
Bank loans and overdrafts	846	1,339
Trade creditors	2,697	4,451
Amounts owed to group undertakings	12,003	8,028
Corporate tax payable	-	90
Other taxation and social security	465	534
Accruals and deferred income	1,384	1,519
	17,395	15,961

Amounts owed to group undertakings are unsecured, at a market rate of interest and repayable on demand.

14 Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
Accruals and deferred income	118	311

Deferred income represents unrecognised grant income. In 2020 £193,000 (2019: £194,000) was recognised within the profit and loss account within other income.

15 Provision for other liabilities

Deferred taxation	2020	2019
	£'000	£'000
At 1 January	1,103	488
Origination of timing differences on profit related activities	397	353
Origination of timing differences within other comprehensive income	(111)	262
At 31 December	1,389	1,103

Deferred taxation provided in the financial statements comprises:	2020	2019
	£'000	£'000
Timing differences:		
Accelerated capital allowances	1,416	1,018
Other timing differences	(36)	(35)
Derivative financial assets and liabilities	9	120
	1,389	1,103

16 Called up share capital

	2020	2019
	£'000	£'000
Authorised		
50,000 (2019: 50,000) ordinary shares of £1 each	**50**	50
Allotted and fully paid		
50,000 (2019: 50,000) ordinary shares of £1 each	**50**	50

There have been no changes during the year.

17 Capital and other financial commitments

Plant, fixtures and equipment	2020	2019
	£'000	£'000
Capital expenditure authorised and contracted for	**906**	3,791

18 Leasing commitments

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

Land and buildings	2020	2019
	£'000	£'000
Within one year	**36**	37
Between two to five years	**144**	89
After five years	**180**	767
	360	893

19 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 £126,309 (2019: £139,284).

20 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	2020	2019
	£'000	£'000
Sales	8,387	10,151
Purchases	377	1,116

Year end balances		
Amounts due to	179	269
Amounts due from	898	2,094

21 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 31st December 2020 the net HSBC overdraft balance in the company was £nil (2019: £540,000). The gross overdraft balance in the other companies covered by the multilateral guaranteed was £nil (2019: £nil).

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

Notes to the financial statements for the year ended 31 December 2020 - continued

22 Restatement of prior year

The financial statements for the year ended 31 December 2019 contained forward currency contracts which the company used to hedge against the company's forecast transactions in US Dollars and Euros. Some of these contracts are in the name of the parent company AES Engineering Limited and therefore the company has removed the derivatives, reversed the effect of the hedge accounting and recognised a receivable for the net amounts paid by the company on the derivatives. This was not reflected in the prior period financial statements and as a result the comparatives in these accounts have been restated as shown below:

	Original Balance	Adjustments	As restated
	£000	£000	£000
Balance Sheet as at 31 December 2018			
Net assets	29,041	3,700	32,741
Cash flow hedge	(2,190)	1,375	(815)
Retained earnings	31,181	2,325	33,506
Total shareholders' funds	29,041	3,700	32,741

	Original Balance	Adjustments	As restated
	£000	£000	£000
Balance Sheet as at 31 December 2019			
Derivative financial asset	4,082	(3,421)	661
Current assets	37,866	(3,421)	34,445
Creditors: amounts falling due within one year	(19,013)	3,052	(15,961)
Derivative financial liability	-	(30)	(30)
Net current assets	17,094	1,360	18,454
Total assets less current liabilities	39,121	1,360	40,481
Provision for other liabilities	(1,759)	656	(1,103)
Net assets	38,810	257	39,067
Cash flow hedge	4,082	(3,451)	631
Retained earnings	34,678	3,708	38,386
Total shareholders' funds	38,810	257	39,067

Notes to the financial statements for the year ended 31 December 2020 - continued

22 Restatement of prior year - continued

	Original Balance	Adjustments	As restated
	£000	£000	£000
Profit and loss account as at 31 December 2019			
Turnover	56,579	49	56,628
Other operating expenses	(8,221)	437	(7,784)
Total operating expenses	(53,063)	437	(52,626)
Operating profit	5,485	486	5,971
Profit before taxation	5,443	486	5,929
Profit for the financial year	4,470	486	4,956

	Original Balance	Adjustments	As restated
	£000	£000	£000
Statement of comprehensive income for the year ended 31 December 2019			
Profit for the financial year	4,470	486	4,956
Remeasurement income recognised on forward contracts	6,272	(4,826)	1,446
Movement on deferred tax relating to forward contracts	(1,159)	897	(262)
Total other comprehensive income for the year	5,113	(3,929)	1,184
Total comprehensive income for the year	9,583	(3,443)	6,140

23 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 CBE DL, by virtue of his shareholding in AES Engineering Limited.