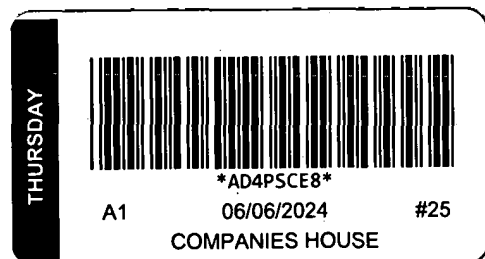


Registered number: 02101607

AESSEAL plc
Annual Report
for the year ended 31 December 2023



AESSEAL plc

Annual Report

for the year ended 31 December 2023

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AESSEAL plc

Directors and advisers

Directors

C J Rea CBE DL

C L Dickinson

J S Welsh

J H Chappell

N R Shabir

J W Banks

Company secretary

N R Shabir

Registered office

Global Technology Centre

Mill Close

Bradmarsh Business Park

Rotherham

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 2023

The directors present their strategic report on the company for the year ended 31 December 2023.

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

“To give our customers such exceptional service that they need never consider alternative sources of supply”

Through our investment in innovative sealing and reliability solutions we enable our customers in a wide range of industries to meet the complex needs of society both now and in the future. We believe that our long-term growth will continue, as long as we continuously improve every aspect of our business that brings a benefit to our customers and their experience with our organisation. We believe in operating in an ethical and sustainable manner, providing sealing solutions to our customers that improve reliability and help reduce energy and water consumption.

Review of business and future developments

The company has had exceptional growth in 2023 with sales increasing 8.5% from £64.4m to £69.9m. Operating profit decreased 23.3% from £12.0m to £9.2m. Operating profit for the year ended 31 December 2023 included foreign exchange loss of £0.3m (2022: gains of £3.1m). Without these the company would have improved operating profit by 6.7%

Net assets as at 31 December 2023 were £69.2m (2022: £58.6m). The company has continued to expand its manufacturing capacity in the business investing £10.2m on tangible assets.

The strength and flexibility we have built into the business including our continued investment throughout challenging market conditions has underpinned our future and supports the robust performance of the business, giving us great confidence for future strategic growth. Our manufacturing base is truly global and our stocking policies and logistics capabilities strengthen our ability to continue to deliver customer service. In addition, we have alternative supplies from different areas of the world, allowing responsive actions in times of geographical challenges.

The AESSEAL Factory of the Future in Rotherham opened in summer 2023. This investment gives the group room for expansion and paves the way for an additional investment in robotic machinery and developing higher paid jobs in the community.

The 10 acre low density site includes a Tree Walk for educational and leisure purposes and has had significant 'green only' investment such as solar panels, battery storage, EV chargers, LED lighting, Glass Roof Lantern and attenuation tanks.

The Company has invested in generative artificial intelligence to mine the internal databases to help free staff with decades of engineering experience from mundane research tasks allowing rapid response to customer queries. Our new automated order systems and Autostore robots allow onsite quotations and automatic release of orders into the manufacturing cycle maintaining an on time delivery rate of 99.45%

AESSEAL plc

Strategic report for the year ended 31 December 2023 – 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

The interests of the company's employees, the sustainability of our customers' decisions, the local communities and the environment, and striving 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 planet is our most important stakeholder”

Throughout the period ended 31 December 2023 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 the company went beyond Net Zero in the 12 month period to 30 September 2023, according to figures verified by the leading standards organisation British Standards Institution (BSI).

“Beyond Net Zero – since 2020”

BSI has verified that the company's activities generated CO₂e savings of 433,879 tonnes, resulting in a net benefit of 397,388 tonnes of CO₂e since the Scope 3 emissions in the supply and value chain were 36,491 tonnes of CO₂e.

AESSEAL plc's carbon footprint from direct, indirect and supply and value chain emissions (Scopes 1, 2 and 3) last year was calculated at 35,429 tonnes of CO₂ equivalent (CO₂e). As well as buying green energy, installing solar panels and other environmental investments, the group bought 5,007 tonnes of CO₂ offsets from "gold standard" schemes, neutralising completely the impact of the Scope 1 and Scope 2 emissions.

AESSEAL plc

Strategic report for the year ended 31 December 2023 – continued

Environmental impact and carbon use disclosures - continued

Since the company markets reliability products and services that save energy, water, and cut pollution when this impact is taken into account, the carbon 'balance sheet' is strongly positive at 397,388 tonnes of CO₂e saved.

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

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 includes all other indirect emissions in the company's value chain.

AESSEAL plc

Strategic report for the year ended 31 December 2023 - continued

Environmental impact and carbon use disclosures – continued

	Ratio to Turnover Tonnes CO2e 2023	Ratio to Turnover Tonnes CO2e 2022	Absolute Tonnes CO2e 2023	Absolute Tonnes CO2e 2022	Absolute KWh 2023	Absolute KWh 2022
Gas	2.54	2.80	180	182	985,000	997,000
Fleet emissions	1.05	1.40	74	91	343	361
Other emission	0.01	0.16	1	11	-	-
Net scope 1	3.60	4.36	255	284	985,343	997,361
Electricity	-	-	-	-	4,293,000	3,961,000
Net scope 1 and scope 2	3.60	4.36	255	284	5,278,343	4,958,361

	Absolute Tonnes CO2e 2023	Absolute Tonnes CO2e 2022
Scope 3 Emissions	36,491	35,429
Product Emissions Avoidance	(433,879)	(392,858)
Net Scope 3 GHG Emissions	(397,388)	(357,429)

AESSEAL plc

Strategic report for the year ended 31 December 2023 - continued

Environmental impact and carbon use disclosures – continued

Going forward the company will be installing solar panels in Derby and additional panels at the company's head office along with additional purchases of electric cars and vans. The company also intends to install a battery storage system in conjunction with the solar PV in Bradford. The solar panels installed on the new site roof in Rotherham in 2023 will in future feed directly into another battery storage system allowing full capture and release of the generation of these solar panels through a BC-DC system. This will consistently reduce the site's load and reliance on both the grid and the previously installed battery energy storage system. Options for removal of gas heating at the main head office site will also be assessed in 2024.

Research and development

After more than 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.

In 2023, AESSEAL partnered with Torishima UK to develop EcoGuard which is new technology that seeks to eliminate or reduce both intermittent and continuous emissions and could be retro fitted to oil and gas facilities across the world. This breakthrough could solve the problem of flaring and venting from oil and gas fields and help clean up energy production. With the UK Government announcing a ban on routine flaring by 2030, the EcoGuard is the perfect product for the oil and gas industry not only legally, but could extend the life of existing rigs.

During the year to 31 December 2023 the company invested 5.4% of sales (2022: 5.2%) on research and development activities. Total research and development spend in 2023 was £3.8m (2022: £3.3m).

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.

AESSEAL plc

Strategic report for the year ended 31 December 2023 – continued

Major productivity improvement

The company has embarked on an initiative to automate all design, Computer Aided Manufacturing and Co-ordinate Measuring activities. This 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.

This automation has improved customer service responsiveness for complex engineered products giving another unique competitive advantage, which the Company are starting to see the results from with the increased organic growth.

The integration of mechanical, electrical and software engineering

The company has 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.

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), ISO14001 (Environmental Management), ISO45001 (Occupational Health and Safety Management), ISO20000 (IT Systems Management), ISO27001 (Information Security Management System), ISO50001 (Energy Management) and ISO37001 (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 as 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.'

AESSEAL plc

Strategic report for the year ended 31 December 2023 – continued

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 Group.... 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.

In 2021 the Group pledged to spend £29 million by 2029 on planet-friendly investments with a strong focus on reducing emissions to prevent global warming. More than £12.7m has been committed already and the Group intends to keep on going to support the Betterworld Solutions initiative that encourages global industry to prioritise environmentally-friendly investments.

The Directors have also invested significant capital expenditure which will benefit the company over many years, investing in buildings, plant and machinery. The main part of this investment is the state of the art extension to the Head office facility in Rotherham, South Yorkshire creating a 175,000sq foot complex on a 10 acre site which is surrounded by a 1km long TreeWalk. The new integrated building creates an advanced precision engineering factory capable of supporting state-of-the-art robotic machines, together with office space, new entrance, statement reception and café. AESSEAL has created a BREEAM ‘Excellent’ rated building, which is designed to store its own energy and be all-electric.

Our People

Our team orientated people are integral to success and are the heartbeat of our business. They deliver on a daily basis to enable the group to meet and exceed expectations. Customer problems are solved and opportunities seized by people working together from all levels of the organisation. The safety, employee wellbeing and engagement of employees will always be our number one priority.

The Directors recognise the value of the people the company employs and understand that without them the business could not succeed. The business always seeks to treat all 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. In addition to this, AESSEAL are a member of the Mindful Employer Initiative, showing the commitment to supporting mental health at work.

The Directors also ensure that the facilities are kept to a high standard and are always safe, comfortable places to work. The culture of continuous improvement has shown positive results for the health and safety record. Directors assess and reduce risk, invest in equipment and involve employees at all levels.

AESSEAL plc

Strategic report for the year ended 31 December 2023 – continued

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 showing 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 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 and operating in a highly ethical manner to ensure the company's reputation is never 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 annual AES Dragon Awards day on 25 September to celebrate the success of our people globally.

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 CBE DL
Director

31 May 2024

AESSEAL plc

Directors' report for the year ended 31 December 2023

The directors present their report and the audited financial statements of the company for the year ended 31 December 2023.

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 20. No dividend was paid in 2023 (2022:nil).

Directors

The directors who held office during the year and up to the date of signing (unless otherwise noted) are given below:

C J Rea CBE DL

C L Dickinson

J S Welsh

N R Shabir

J H Chappell

J W Banks (Appointed 23 March 2023).

R Rea (Resigned 25 January 2023).

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 £262,565 (2022: £92,910) for charitable purposes in the year. No political donations were made during the year (2022: £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.

AESSEAL plc

Directors' report for the year ended 31 December 2023 – continued

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' views 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.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

AESSEAL plc

Directors' report for the year ended 31 December 2023 – continued

Statement of directors' responsibilities - continued

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. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

31 May 2024

Independent auditors' report to the members of AESSEAL plc

Opinion

We have audited the financial statements of AESSEAL PLC ("the Company") for the year ended 31 December 2023 which comprise the profit and loss account, statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of accounting policies and related notes.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 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 the company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and compliance committee meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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, in particular the risk that revenue is recorded in the wrong period and the risk that the management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts relating to cash and revenue.
- 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 and other management (as required by auditing standards), and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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, employment law, and certain aspects of company legislation recognising the nature of the company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management 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.

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

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.

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 pages 13-14, 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

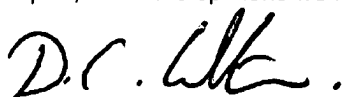
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit 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.

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

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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

1 June 2024

AESSEAL plc

Profit and loss account for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Turnover	1	69,943	64,430
Change in stocks of finished goods and in work in progress		1,838	4,032
Other operating income		2,135	1,144
		73,916	69,606
Raw materials and consumables		(27,818)	(27,429)
Staff costs	2	(22,470)	(20,850)
Depreciation and amortisation	3	(4,754)	(4,589)
Other operating expenses		(9,625)	(4,770)
Total operating expenses		(64,667)	(57,638)
Operating profit	3	9,249	11,968
Net interest receivable	4	495	425
Profit before taxation		9,744	12,393
Tax on profit	6	(1,824)	(1,943)
Profit for the financial year		7,920	10,450

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

The accompanying notes form part of the financial statements.

AESSEAL plc

Statement of comprehensive income for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Profit for the financial year		7,920	10,450
Movement on deferred tax relating to forward contracts	15	(823)	(400)
Remeasurement gain recognised on forward contracts		3,328	1,564
Total other comprehensive income for the year		2,505	1,164
Total comprehensive income for the year		10,425	11,614

The accompanying notes form part of the financial statements.

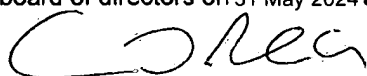
AESSEAL plc

Balance sheet as at 31 December 2023

Registered number: 02101607

	Note	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	7	3,216	3,179
Tangible assets	9	26,412	20,076
Investments	8	50	49
		29,678	23,304
Current assets			
Stocks	10	17,969	16,836
Debtors	11	29,696	20,795
Derivative financial assets		5,108	3,012
Cash at bank and in hand		1,720	5,441
		54,493	46,084
Creditors: amounts falling due within one year	13	(11,543)	(7,386)
Derivative financial liabilities		(51)	(175)
Net current assets		42,899	38,523
Total assets less current liabilities		72,577	61,827
Derivative financial liabilities	14	(160)	(1,304)
Provision for other liabilities	15	(3,236)	(1,965)
Net assets		69,181	58,558
Capital and reserves			
Called up share capital	16	50	50
Cash flow hedge reserve		4,892	1,564
Retained earnings		64,239	56,944
Total shareholders' funds		69,181	58,558

The financial statements, including the accompanying notes on pages 24 to 42, were approved by the board of directors on 31 May 2024 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 2023

	Called up share capital	Cash flow hedge reserve	Retained earnings	Total shareholders funds
	£000	£000	£000	£000
At 1 January 2022	50	-	46,744	46,794
Profit for the financial year	-	-	10,450	10,450
Total other comprehensive	-	1,564	(400)	1,164
Transfer to reserves in respect of equity settled share-based payments	-	-	150	150
At 31 December 2022	50	1,564	56,944	58,558
Profit for the financial year	-	-	7,920	7,920
Total other comprehensive	-	3,328	(823)	2,505
Transfer to reserves in respect of equity settled share-based payments	-	-	198	198
At 31 December 2023	50	4,892	64,239	69,181

The accompanying notes form part of the financial statements.

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 12 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 to meet its liabilities as they fall due throughout the period to 30 June 2025.

The Company has significant net cash reserves of £1.7m at 31 December 2023 and taking into account severe but plausible downside scenarios before any mitigating actions, where applicable, the Company is still able to operate with significant positive cash levels throughout the period to 30 June 2025. Accordingly, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

AESSEAL plc

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.

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
Assets under construction	Not depreciated

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.

AESSEAL plc

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 reliably measure the expenditure attributable to the intangible assets during its development

Where these criteria are not met, development costs are written off to the profit and loss account 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 15 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. A provision is made for slow moving and obsolete stock.

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 a defined contribution pension schemes for employees. 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.

AESSEAL plc

Statement of accounting policies – continued

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 profit and loss account.

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

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.

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.

AESSEAL plc

Statement of accounting policies – continued

Critical accounting estimates and judgements - continued

(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. See note 7 for the carrying amount of capitalised development expenditure.

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023

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	2023	2022
	Number	Number
Sales engineers	20	19
Management and administration	230	228
Production and stores	265	265
	515	512
Staff costs for the above persons were:	2023	2022
	£'000	£'000
Wages and salaries	20,108	18,586
Social security costs	1,948	2,154
Other pensions costs	414	110
	22,470	20,850

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023 - continued

3 Operating profit

	2023 £'000	2022 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of owned tangible assets	4,165	4,237
Amortisation of intangible assets	589	352
Auditors' remuneration including expenses		
- audit	56	50
- non-audit services	40	16
Operating leases – property	36	36
Research and development costs	3,801	3,348
Equity settled share-based payments	198	150
Net foreign currency exchange losses/(gains)	359	(3,148)
Profit on disposal of fixed assets	(84)	(89)

4 Net interest receivable

	2023 £'000	2022 £'000
Interest receivable from other group companies	495	425

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023 - continued

5 Directors' emoluments

	2023 £'000	2022 £'000
Emoluments including benefits in kind	913	986
Company pension contributions to money purchase scheme	36	36
	949	1,022

Retirement benefits are accruing to five (2022: six) directors under a money purchase scheme. During the year no (2022: no) director of AESSEAL plc exercised share options in AESSEAL plc. There were no (2022: two) directors of AESSEAL plc to whom share options were granted during the year.

Highest paid director	2023 £'000	2022 £'000
Emoluments including benefits in kind	250	400
Company pension contributions to money purchase scheme	30	30
	280	430

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023 - continued

6 Tax on profit

	2023	2022
	£'000	£'000
Current tax:		
UK corporation tax on profits of the year	1,800	2,396
Adjustments in respect of prior years	(424)	(384)
Current tax charge for the year	1,376	2,012
Deferred tax: timing differences (note 15)	448	(69)
Tax on profits	1,824	1,943

An increase to the standard rate of corporation tax from 19% to 25% from 1 April 2023 was announced in the 2021 Budget and was substantively enacted on 24 May 2021. As a result the corporation tax is calculated at 23.5% (2022: 19%) of the estimated assessable profit for the year. Deferred tax balances at the year-end have been measured at 25% (2022: 25%) these being the rate at which timing differences are expected to reverse.

The tax charged on the profit for the year is lower (2022: lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2023	2022
	£'000	£'000
Profit before taxation	9,744	12,393
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 23.5% (2022: 19%)	2,290	2,355
Effects of:		
Expenses not deductible for tax purposes	32	68
Other reliefs	(113)	(27)
Group Relief	(188)	-
Adjustment in respect of prior years	(424)	(384)
Origination and reversal of timing differences	227	(69)
Tax charge for the year	1,824	1,943

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023 - continued

7 Intangible assets

	Deferred Development expenditure	Software	Total
	£'000	£'000	£'000
Cost			
At 1 January 2023	8,214	2,459	10,673
Additions	270	356	626
At 31 December 2023	8,484	2,815	11,299
Accumulated depreciation			
At 1 January 2023	7,073	421	7,494
Charge for the year	397	192	589
At 31 December 2023	7,470	613	8,083
Net book value			
At 31 December 2023	1,014	2,202	3,216
At 31 December 2022	1,141	2,038	3,179

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023 - continued

8 Investments

	2023 £'000	2022 £'000
At 1 January 2023	49	49
Additions	1	-
At 31 December 2023	50	49

Interest in group undertakings

The undertakings of the company at 31 December 2023, 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, Dammam 34334, P.O Box 6770	Ordinary	5
AESSEAL Chile SA	Av. El Retiro 1275, Bodega A05 / Renca Santiago	Ordinary	1.08

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 2023 and are fully owned by the AES Engineering Limited group, of which AESSEAL plc is a part.

During the year, 1,380 shares were purchased in AESSEAL Chile SA for consideration of £1,073.

AESSEAL Chile SA operate as distributors of mechanical seals, have a year end of 31 December 2023 and are 51% owned by the AES Engineering Limited group, of which AESSEAL plc is a part.

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023 - continued

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 2023	1,041	58,542	-	795	60,378
Additions	10	7,460	2,697	382	10,549
Disposals	-	(183)	-	(299)	(482)
Transfers	-	1,143	(1,143)	-	-
At 31 December 2023	1,051	66,962	1,554	878	70,445
Accumulated					
At 1 January 2023	98	39,684	-	520	40,302
Charge for the year	70	3,971	-	124	4,165
Disposals	-	(180)	-	(254)	(434)
At 31 December 2023	168	43,475	-	390	44,033
Net book value					
At 31 December 2023	883	23,487	1,554	488	26,412
At 31 December 2022	943	18,858	-	275	20,076

The cost of depreciable assets included in land and buildings is £1,051,000 (2022: £1,041,000).

There are no assets held under hire purchase contracts or finance leases for the year ended 31 December 2023 (2022: £nil).

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023 - continued

10 Stocks

	2023	2022
	£'000	£'000
Raw materials, work in progress and consumables	2,745	3,450
Finished goods and goods for resale	15,224	13,386
	17,969	16,836

The cost of inventory recognised within the income statement was £27,818,444 (2022: £27,301,360). Inventories are stated net of provisions amounting to £4,038,593 (2022: £4,459,139).

11 Debtors

	2023	2022
	£'000	£'000
Trade debtors	3,339	3,599
Amounts owed by group undertakings	22,229	13,222
Other debtors	1,006	1,651
Corporate tax recoverable	1,995	766
Prepayments and accrued income	1,127	1,557
	29,696	20,795

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

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023 - continued

12 Derivative financial assets and liabilities

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

At 31 December 2023 the company held forward exchange contracts to sell €27,984,000 at an average exchange rate of 1.060911 (2022: €27,984,000 / €1.060911) of which €3,000,000 (2022: nil) fell due within one year. The company held forward exchange contracts to sell \$52,992,000 at an average exchange rate of 1.162586 (2022 - \$55,992,000 / 1.169295) of which \$9,000,000 fell due within one year (2022: \$3,000,000).

Losses on forward contracts on maturity were recycled from other comprehensive income to turnover which amounted to a loss of £86,559 (2022: loss of £32,592).

Compared to market rates at year end, the net value of hedges under these contracts give rise to a cashflow hedge reserve of £4,891,825 (2022: £1,563,641). A net gain (including the amount recycled to turnover for matured hedges) of £3,328,184 was recognised during the year (2022: gain of £1,563,641) in other comprehensive income.

13 Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Trade creditors	3,584	3,609
Amounts owed to group undertakings	4,408	200
Other taxation and social security	633	573
Accruals and deferred income	2,918	3,004
	11,543	7,386

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

14 Derivative financial liabilities

	2023 £'000	2022 £'000
Derivative financial liability	160	1,304

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023 - continued

15 Provision for other liabilities

Deferred taxation	2023	2022
	£'000	£'000
At 1 January	1,965	1,634
Origination of timing differences on profit related activities	448	(69)
Origination of timing differences within other comprehensive income	823	400
At 31 December	3,236	1,965

Deferred taxation provided in the financial statements comprises:	2023	2022
	£'000	£'000
Timing differences:		
Accelerated capital allowances	2,063	1,605
Other timing differences	(50)	(40)
Derivative financial assets and liabilities	1,223	400
	3,236	1,965

16 Called up share capital

	2023	2022
	£'000	£'000
Authorised		
50,000 (2022: 50,000) ordinary shares of £1 each	50	50
Allotted and fully paid		
50,000 (2022: 50,000) ordinary shares of £1 each	50	50

There have been no changes during the year.

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023 - continued

17 Capital and other financial commitments

Plant, fixtures and equipment	2023 £'000	2022 £'000
Capital expenditure authorised and contracted for	2,034	1,241

18 Leasing commitments

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

Land and buildings	2023 £'000	2022 £'000
Within one year	36	36
Between two to five years	142	142
After five years	815	848
	993	1,026

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 £106,459 (2022: £90,050).

AESSEAL plc

Notes to the financial statements for the year ended 31 December 2023 - continued

20 Related party transactions and balances

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

Sales and purchases	2023	2022
	£'000	£'000
Sales	10,078	8,386
Purchases	241	249
Year end balances	2023	2022
	£'000	£'000
Amounts due to	13	8
Amounts due from	1,993	1,347

Additionally, in the year the group incurred administrative expenses as a result of purchases from companies with common key management personnel, to the value of £57,675 (2022: £75,400). The creditor balance at the 31 December 2023 was £nil (2022: £5,500).

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 2023, the net HSBC overdraft balance in the company was £nil (2022: £nil). The gross overdraft balance in the other companies covered by the multilateral guaranteed was £nil (2022: £nil).

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 31 December 2023 - continued

22 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.

23 Post balance sheet event

There are no post balance sheet events.