

Registered Number 00392743

AES Engineering Limited
Annual Report
for the year ended 31 December 2018



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for the year ended 31 December 2018

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AES Engineering Limited

Directors and advisers

Directors

C J Rea OBE DL

S M Shaw

I M Lobley

S P Blagden

J N Hamilton

R E Sullivan

C J Griffiths

Company secretary

R E Sullivan

Registered office

Global Technology Centre

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Bradmarsh Business Park

Rotherham

S60 1BZ

Independent auditors

PricewaterhouseCoopers LLP

Central Square

29 Wellington Street

Leeds

LS1 4DL

Bankers

HSBC Bank plc

4th Floor, City Point

29 King Street

Leeds

LS1 2HL

AES Engineering Limited

Strategic report for the year ended 31 December 2018

The directors present their strategic report on the company and the group for the year ended 31 December 2018.

Principal activities

The principal activity of the parent company is the holding of investments in subsidiary undertakings.

The principal activities of the group are the design, development, manufacture, sale and service of mechanical seals, engineered sealing systems, pumps and related products and the provision of reliability consultancy services.

Our purpose

The group'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 2019 and beyond, as long as we continuously improve every aspect of our business that brings a benefit to our customers.

Review of the business and future developments

Sales increased by 6.3% to £181.3m (2017: £170.6m), on a basis adjusted for acquisitions and currency fluctuations in the year organic sales growth was 8%. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 15.7% to £34.7m (2017: £30.0m). On a currency adjusted basis the percentage increase was 17.4%.

Group net assets as at 31 December 2018 were £122.8m (2017: £103.5m), an increase of 18.6% on the 2017 year end. Strong cash performance means that the group held a positive cash balance of £16.5 million at the year end, after increasing capital expenditure, which included investment in additional 9 and 11 axis machining capacity. This further investment is not only to service increased demand but also to support the group in taking advantage of digitalisation and the internet of things.

Despite a climate of continuing political and economic uncertainty, the AES Engineering Limited group has delivered a strong result for 2018 and is confident of progressing positively into 2019 and beyond. Our confidence for the future is built on the excellence of our product and service offering, and the business model and value proposition of the group, which is unique in the industry sector. These attributes will ensure the sustainability of the existing business, with its highly valued existing customers, and are increasingly attractive for new customers.

AES Engineering Limited

Strategic report for the year ended 31 December 2018 – 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 mechanical seal arm of the AES Engineering Limited group, AESSEAL, 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 and connecting the group's consultancy and reliability business digitally to its physical product range.

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 group 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 group another unique competitive advantage.

AES Engineering Limited

Strategic report for the year ended 31 December 2018 – continued

The integration of mechanical, electrical and software engineering

It is the view of the directors of the AES Engineering Limited group that businesses in our field that excel in the future will do so through a combination of world class mechanical, electrical and software engineered products and services.

The group believes that it is at the forefront of our industry in the provision of web based software driven analysis and reporting for many frequently occurring and preventable equipment failures, with the attendant reduction in plant reliability. The group has developed and introduced to the market Machine Sentry Mobile, the world's lowest cost professional reliability mobile data collector, which was added to by the introduction of an ATEX version. Fixed data collectors and devices for use in mechanical seals and support systems are all under development.

The directors of the group firmly believe, however, that the real value is in the Software Suite and the 30 years of data which includes millions of measurements collected on rotating equipment dimensions and running conditions.

This means the business has an intimate understanding of what good reliability looks like based upon the massive amount of quality data in the Web Portal. More importantly due to its global footprint, the group has reliability professionals who can assist global customers to act on the information to improve reliability.

Global footprint and customer service excellence

The business model, described above, ensures the group delivers industry leading customer service levels. A heavy investment in a group owned global sales and service infrastructure in 41 countries around the world ensures the group is close to end user customers and is positioned for continued, sustainable sales growth for years to come.

Our determination to work to the very highest standards is exemplified by the certifications we hold at ISO9001 and 29001 (Quality Management), 14001 (Environmental Management), 18001 (Health and Safety), 20001 (IT Systems Management), and 50001 (Energy Management). Our detailed understanding of equipment reliability enables us to add value, not only as suppliers of product but as equipment reliability consultants to our customers, and we will continue to work with uncompromising integrity in each of the 104 countries where we provide products and services.

Withdrawal of the United Kingdom from the European Union

At the date of this report, the terms under which the United Kingdom will withdraw from the European Union are not fully known. The directors of the group are confident that the withdrawal of the United Kingdom from the European Union will not impact the group's and company's ability to continue as a going concern. The group has a diverse geographical customer base and is experienced in trading under multiple global trade and customs arrangements.

AES Engineering Limited

Strategic report for the year ended 31 December 2018 – continued

Key performance indicators (KPIs)

In conjunction with the management of costs and working capital in order to improve operating profit, the group uses certain KPIs to monitor its performance and those of its operating entities, notably:

EBITDA	- Earnings before interest, taxation, depreciation and amortisation
EBITDA margin	- Earnings before interest, taxation, depreciation and amortisation expressed as a percentage of sales
Sales growth	- Current year sales divided by prior year sales expressed as a percentage
Organic sales growth	- Current year sales divided by prior year sales, adjusted to eliminate the effect of exchange difference fluctuations and acquisitions and expressed as a percentage
Material cost of sales	- Current year material costs divided by current year sales and expressed as a percentage
Gross margin	- The ratio of gross margin to sales expressed as a percentage
Return on net assets	- Profit before tax and minority interests divided by net assets employed expressed as a percentage
Cash conversion	- Operating cash (outflow) / inflow divided by EBITDA expressed as a percentage
Net debt	- The level of overall borrowings (bank loans, net overdrafts and HP finance) and its ratio to EBITDA
Debtor days	- The level of debtors and its ratio to sales, expressed in days
Stock days	- The level of stock and its ratio to cost of sales, expressed in days
Working capital %	- Working capital (stock plus debtors less creditors) as a percentage of sales
On time delivery performance	- Number of orders despatched on time divided by total orders expressed as a percentage
Health & safety	- Minor accidents per 100,000 labour hours - Reportable accident rate

AES Engineering Limited

Strategic report for the year ended 31 December 2018 - continued

Principal and financial risks and uncertainties

Taking risks is an inherent part of entrepreneurial activity and the assessment of risk is part of our culture. Specifically, we give careful consideration to the key risks in our business and how we can best mitigate those risks to meet our business objectives. The key risks affecting the business are:

Risk description	Potential impact	How we mitigate
Foreign exchange		
A significant proportion of the group's revenue, profit and net assets are denominated in currencies other than Sterling, principally the US Dollar and Euro, and to a lesser degree other currencies such as the South African Rand and Malaysian Ringgit.	The accounting profits of the group and the book value of assets and liabilities are subject to fluctuation based on changes in foreign currency rates.	The group seeks to manage the risks involved by sourcing inputs in foreign currencies where possible. A central treasury function, which is not a profit centre, further manages risks via the use of derivative contracts solely for the purpose of hedging the exposures that arise in the normal course of business.
Credit risks		
The group has a very large customer base and a downturn in the economy leads to a slowing of payments from customers in some markets.	A reduction of profit due to bad debt provisions and write-offs.	Group policy is that new customers are subject to credit checks. Customers have authorised credit limits which are subject to regular review. There is a continued focus on debt recovery, review, and reporting at a group level.

AES Engineering Limited

Strategic report for the year ended 31 December 2018 – continued

Principal and financial risks and uncertainties - continued

Risk description	Potential impact	How we mitigate
Employees		
The group's performance depends largely on the recruitment and retention of individuals of above average levels of motivation and ability.	Failure to attract staff with the required technical, management and leadership skills, to retain key employees and/or to provide for effective succession planning for critical positions may affect the group's financial results.	The group's growth and international scope provides excellent opportunities for the career development of talented individuals. The group sets out as an explicit statement of its culture to treat people fairly and to create an environment where employees are happy at work.

Approved by and signed on behalf of the Board



C J Rea OBE DL
Director

30 April 2019

AES Engineering Limited

Directors' report for the year ended 31 December 2018

The directors present their report and the audited financial statements of the company and the group for the year ended 31 December 2018.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

C J Rea OBE DL

S M Shaw

I M Lobley

S P Blagden

J N Hamilton – appointed 4 January 2018

R E Sullivan – appointed 18 June 2018

C J Griffiths – appointed 1 January 2019

C D Guppy – resigned 28 February 2018

J H Stewart – resigned 18 June 2018

Results and dividends

The group profit and loss account for the year is set out on page 17.

The future developments affecting the group and approach to financial risk management are referenced within the Strategic report on pages 4 to 9.

There were no dividends declared in 2018 (2017: £5,443,000). Actual dividends of £5,250,000 (2017: £4,000,000) were paid to the shareholders of AES Engineering Limited in February 2018, as the dividend rights held by the employee share ownership trust were waived in accordance with the Trust Deed. A further dividend of £5,186,000 was declared in March 2019 and after the waiver of rights by the employee share ownership trust, dividends of £5,006,000 were paid in April 2019.

Employees

Communication is crucial to helping employees engage with the business. We communicate through team briefings, presentations, intranet and newsletters. The group 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. All employees contribute to and understand the group's business culture - particularly the needs of the customers it serves. The group uses employee surveys to establish feedback.

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

The group 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.

AES Engineering Limited

Directors' report for the year ended 31 December 2018 - continued

Employees - continued

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

Charitable donations

The group gave £146,000 (2017: £40,000) for charitable purposes in the year. No political donations were made during the year (2017: £nil).

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, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006 and was in force during the financial year and at the date of approval of these financial statements.

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 group and company and of the profit or loss of the group and 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 group and company will continue in business.

AES Engineering Limited

Directors' report for the year ended 31 December 2018 - continued

Statement of directors' responsibilities - continued

The directors are also responsible for safeguarding the assets of the group and 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 group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 the director is aware, there is no relevant audit information of which the group and 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 group and company's auditors are aware of that information.

Approved by and signed on behalf of the Board



C J Rea OBE DL
Director

30 April 2019

AES Engineering Limited

Independent auditors' report to the members of AES Engineering Limited

Report on the audit of the financial statements

Opinion

In our opinion, AES Engineering Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's profit and cash flows for the year then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group profit and loss account for the year ended 31 December 2018; the Group statement of comprehensive income, the Group and Parent company balance sheets, the Group and Parent company statements of changes in equity, and the Group cash flow statement for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

AES Engineering Limited

Independent auditors' report to the members of AES Engineering Limited - continued

Conclusion relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

AES Engineering Limited

Independent auditors' report to the members of AES Engineering Limited - continued

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibility of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

AES Engineering Limited

Independent auditors' report to the members of AES Engineering Limited – continued

Responsibilities for the financial statements and the audit - continued

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Kevin Strauther (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

30 April 2019

AES Engineering Limited

Group profit and loss account for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover - continuing operations	1	181,274	170,100
Turnover - acquisitions	1	-	459
Turnover		181,274	170,559
Change in stocks of finished goods and work in progress		5,770	1,608
Other operating income		563	620
		187,607	172,787
Raw materials and consumables		(64,094)	(59,636)
Staff costs	4	(65,804)	(61,010)
Depreciation and amortisation	3	(7,012)	(6,098)
Other operating expenses		(23,082)	(22,063)
		(159,992)	(148,807)
Operating profit - continuing operations	3	27,615	23,922
Operating profit - acquisitions	3	-	58
Operating profit		27,615	23,980
Share of operating profit/(loss) of joint ventures		5	(54)
Share of operating profit of associates		60	-
Amortisation of associate goodwill	3	(3)	-
Profit before interest and taxation		27,677	23,926
Net interest receivable / (payable)	2	1	(126)
Profit before taxation		27,678	23,800
Tax on profit	6	(6,893)	(6,303)
Profit after taxation		20,785	17,497
Minority interests		(1,578)	(1,371)
Profit for the financial year		19,207	16,126

All items dealt with in arriving at operating profit above, unless otherwise stated, relate to continuing operations.

AES Engineering Limited

Group statement of comprehensive income for the year ended 31 December 2018

	2018 £000	2017 £000
Profit after taxation and minority interests	19,207	16,126
Remeasurement gain recognised on forward contracts	65	4,111
Deferred tax on forward contracts	(48)	(781)
Exchange gain / (loss) arising on consolidation	293	(1,195)
Total other comprehensive income for the year	310	2,135
Total comprehensive income for the year	19,517	18,261

AES Engineering Limited

Group balance sheet as at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	9	14,161	13,949
Tangible assets	11	40,691	37,435
Investments	13	608	-
		55,460	51,384
Current assets			
Stocks	15	34,310	28,370
Debtors	16	42,615	38,809
Derivative financial assets	23	254	368
Cash at bank and in hand		16,464	17,378
		93,643	84,925
Creditors: amounts falling due within one year	17	(23,351)	(28,600)
Net current assets		70,292	56,325
Total assets less current liabilities		125,752	107,709
Creditors: amounts falling due after more than one year	18	(549)	(1,597)
Derivative financial liabilities	23	(2,444)	(2,623)
Net assets		122,759	103,489
Capital and reserves			
Called up share capital	22	1,521	1,521
Share premium account		7,035	7,035
Capital redemption reserve		3,003	3,003
Cash flow hedge reserve	23	(2,190)	(2,255)
Retained earnings		107,098	87,445
Total shareholders' funds		116,467	96,749
Minority interests		6,292	6,740
Capital employed		122,759	103,489

The financial statements on pages 17 to 59 were approved by the board of directors on 30 April 2019 and were signed on its behalf by:



C J Rea OBE DL
Director

AES Engineering Limited

Parent company balance sheet as at 31 December 2018

Registered number 00392743

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	10	593	574
Tangible assets	12	11,882	11,518
Investments	14	28,323	27,051
		40,798	39,143
Current assets			
Debtors – amounts falling due within one year	16	12,018	7,864
– amounts falling due after more than one year	16	82	18
Cash at bank and in hand		722	5,714
		12,822	13,596
Creditors: amounts falling due within one year	17	(17,950)	(26,791)
Net current liabilities		(5,128)	(13,195)
Total assets less current liabilities		35,670	25,948
Provision for other liabilities	21	(200)	(200)
Net assets		35,470	25,748
Capital and reserves			
Called up share capital	22	1,521	1,521
Share premium account		7,035	7,035
Capital redemption reserve		3,003	3,003
Retained earnings		23,911	14,189
Total shareholders' funds		35,470	25,748

The profit of the company for the financial year amounted to £9,852,000 (2017: £9,706,000).

The financial statements on pages 17 to 59 were approved by the board of directors on 30 April 2019 and were signed on its behalf by:



C J Rea OBE DL
Director

AES Engineering Limited

Group statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Share premium account	Capital redemption reserve	Cash flow hedge reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2017	1,524	7,035	3,000	(6,366)	80,702	85,895
Cancellation of shares	(3)	-	3	-	(961)	(961)
Profit for the year	-	-	-	-	16,126	16,126
Transfer to reserves in respect of equity settled share based payments	-	-	-	-	158	158
Other comprehensive income	-	-	-	4,111	(1,976)	2,135
Increase in minority interest with no loss of control	-	-	-	-	(1,283)	(1,283)
Dividends	-	-	-	-	(5,255)	(5,255)
Arising from employee share ownership trust	-	-	-	-	(66)	(66)
At 31 December 2017	1,521	7,035	3,003	(2,255)	87,445	96,749
Profit for the year	-	-	-	-	19,207	19,207
Transfer to reserves in respect of equity settled share based payments	-	-	-	-	252	252
Increase in minority interest with no loss of control	-	-	-	-	79	79
Other comprehensive income	-	-	-	65	245	310
Arising from employee share ownership trust	-	-	-	-	(130)	(130)
At 31 December 2018	1,521	7,035	3,003	(2,190)	107,098	116,467

AES Engineering Limited

Parent company statement of changes in equity for the year ended 31 December 2018

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total
	£000	£000	£000	£000	£000
At 1 January 2017	1,524	7,035	3,000	10,765	22,324
Buyback of share capital	(3)	-	3	(961)	(961)
Profit for the year	-	-	-	9,706	9,706
Dividends	-	-	-	(5,255)	(5,255)
Arising from employee share ownership trust	-	-	-	(66)	(66)
At 31 December 2017	1,521	7,035	3,003	14,189	25,748
Profit for the year	-	-	-	9,852	9,852
Arising from employee share ownership trust	-	-	-	(130)	(130)
At 31 December 2018	1,521	7,035	3,003	23,911	35,470

AES Engineering Limited

Group cash flow statement for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Cash flow from operating activities	28	27,654	25,803
Income taxes paid		(9,240)	(4,420)
Net cash generated from operating activities		18,414	21,383
Cash flows from investing activities			
Proceeds from sale of fixed assets		531	402
Purchases of tangible assets	11	(8,553)	(8,536)
Purchases of intangible assets	9	(1,542)	(1,884)
Acquisition of subsidiary undertakings		(1,427)	(87)
Acquisition of associate	13	(551)	-
Cash acquired with subsidiary		-	71
Interest received	2	154	158
Net cash used in investing activities		(11,388)	(9,876)
Cash flows from financing activities			
Repayment of bank loans		(16)	(6)
New finance leases		250	125
Repayment of finance lease obligations		(802)	(759)
Interest paid		(121)	(196)
Interest element of finance lease payments	2	(37)	(52)
Purchase of own share capital		-	(961)
Net purchase of shares by employee share ownership trust		(130)	(66)
Dividend paid to minority shareholders		(1,329)	(667)
Dividend paid to shareholders	8	(5,250)	(4,000)
Net cash used in financing activities		(7,435)	(6,582)
Net (decrease) / increase in cash and cash equivalents	29	(409)	4,925
Foreign exchange translation adjustment	30	(505)	(52)
Cash and cash equivalents at the beginning of the year	30	17,378	12,505
Cash and cash equivalents at the end of the year	30	16,464	17,378

AES Engineering Limited

Statement of accounting policies

Basis of preparation of financial statements

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

Statement of compliance

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

Summary of significant accounting policies

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

Basis of consolidation

The consolidated financial statements include the results of the parent company, its subsidiaries, together with the group's share of the results of associated undertakings and joint ventures. Results of companies acquired during the year are included from the effective date of acquisition. All acquisitions are accounted for under the purchase method in accordance with FRS 102.

Exemptions for qualifying entities under FRS 102

The company has taken advantage of the disclosure exemptions of FRS 102, Section 1, paragraph 1.12(a) reconciliation of the number of shares outstanding at the beginning and at the end of the period, paragraph 1.12(b) statement of cash flows.

Turnover

Turnover represents the amounts invoiced to customers net of value added tax and excluding intra-group transactions. 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. Turnover from service sales is recognised when the services have been completed and agreed by the customer. Where consignment stock arrangements are in place, turnover is recognised upon notification by the customer that the product has been withdrawn from consignment.

AES Engineering Limited

Statement of accounting policies – continued

Tangible fixed 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 fixed assets, less their estimated residual value, on a straight line basis over their estimated economic lives. The depreciation rates used for this purpose are:

Freehold and long leasehold properties	1% - 4% straight line
Plant, fixtures and equipment	10% - 20% straight line
Motor vehicles	25% straight line
Short leasehold property	Equal instalments over period of lease

Land is not depreciated.

Assets under construction represent tangible assets received but not yet commissioned. An asset under construction will be transferred to Plant, fixtures and Equipment when it has reached the working condition for its intended use.

Intangible fixed assets

Costs incurred in applying for patents have been capitalised and are amortised on the straight line basis over the estimated life of the patent, not exceeding 20 years.

The costs incurred in registering trademarks have been capitalised and are not amortised. The directors consider the trademarks to be worth at least the net book amount stated in the balance sheet and therefore no amortisation has been charged.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of identifiable net assets, liabilities and contingent liabilities identified.

Where the group is not able to make a reliable estimate of useful economic life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss accounts. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

The costs incurred in the development and installation of significant software projects are capitalised as intangible assets. Amortisation over the estimated useful life of the software will commence once brought into use.

AES Engineering Limited

Statement of accounting policies – continued

Intangible fixed 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.

Investments

Investments in subsidiaries, joint ventures and associated undertakings are shown at cost less any amounts written off for permanent diminution in value. At group level investments in associated undertakings are stated at the group's share of the fair value of underlying net assets together with goodwill arising on acquisition less amortisation to date. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Other investments are stated at cost less any amounts written off for permanent diminution in value.

Stock and work in progress

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

Deferred taxation

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Pension costs

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

AES Engineering Limited

Statement of accounting policies – continued

Foreign currency

For individual companies within the group, transactions denominated in foreign currencies are translated into the local currency using the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in a foreign currency have been translated into the local currency at the year end rate. Realised foreign exchange differences are taken to the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation the profit and loss accounts of foreign subsidiaries are translated into sterling at the average exchange rate for the accounting period and assets and liabilities are translated at the year end rate. Any exchange difference arising on consolidation is taken to the profit and loss reserve.

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 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 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 profit and loss account.

Leasing

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

Operating lease rentals are charged to the profit and loss account as they are incurred. Lease incentives are recognised on a straight line basis over the period until the next rent review.

Dividends

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

Employee share ownership trust

The trust's assets and liabilities are recognised by the sponsoring company, AES Engineering Limited, as its own. The ordinary shares of the company held by the employee share ownership trust are shown as a deduction from shareholders' funds at the market value of the shares at the date of acquisition less any amount written off in respect of any permanent diminution in the value of the shares.

AES Engineering Limited

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. 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 component of the group retained earnings and has no significance other than being the historical accumulation of the expense.

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

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

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, economic utilisation and the physical condition of the assets. See notes 11 and 12 for the carrying values of plant, property and equipment.

(b) Inventory provisioning

The group 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 15 for the net carrying amount of the inventory.

(c) Impairment of investments in subsidiaries and goodwill on acquisition

Determining whether the company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require management to estimate the future cash flows expected to arise from the investments. In addition, the group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified an estimation of the recoverable value is required.

(d) Provisions

Provision is made for dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

AES Engineering Limited

Statement of accounting policies – continued

Critical accounting estimates and assumptions - continued

(d) Provisions - continued

In addition, the timing of cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

(e) 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 group is also expected and can be measure reliably. 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.

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

1 Turnover

The group's turnover and operating profit relate entirely to its principal activities.

The group's share of turnover from its joint venture investments amounted to £152,000 (2017: £159,000). This is not included within the consolidated group turnover.

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

2 Net interest receivable / (payable)

	2018 £000	2017 £000
Interest receivable	154	158
Interest payable on bank loans and overdrafts	(69)	(126)
Interest payable on hire purchase obligations and finance leases	(37)	(52)
Other interest payable	(47)	(106)
	1	(126)

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

3 Operating profit

	2018	2017
	£000	£000
Operating profit is stated after (crediting)/charging:		
Equity-settled share based payments	252	158
Depreciation of owned assets	4,676	4,218
Depreciation of assets held under hire purchase contracts	424	395
Amortisation of intangible assets	1,578	1,485
Impairment of intangible assets	334	-
Amortisation of associate goodwill	3	-
Profit on disposal of fixed assets	(93)	(184)
Net foreign currency exchange (gain)/loss	(627)	92
Auditors' remuneration including expenses		
- Group audit	137	151
- Other services		
- statutory audit of subsidiaries	128	116
- other services	6	6
Operating leases – property	2,350	2,214
Operating leases – plant and machinery	343	700
Research and development costs	3,972	4,030

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

4 Employee information

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

By activity	2018 Number	2017 Number
Sales engineers	418	414
Management and administration	692	621
Production and stores	709	659
	1,819	1,694
Staff costs for the above persons	2018	2017
	£000	£000
Wages and salaries	58,793	54,364
Social security costs	5,113	4,962
Other pensions costs	1,405	1,407
Severance costs	241	119
Equity – settled share based payments	252	158
	65,804	61,010

Certain employees of AESSEAL plc, AESSEAL Inc., AESSEAL (M) SDN. BHD., AESSEAL Ireland Limited, AESSEAL France SAS, AESSEAL (Proprietary) Limited, AESSEAL Ningbo Limited, AESSEAL India Private Limited, AESSEAL Canada Inc, AVTPUMP Limited, AESSEAL Ibérica S.L., AESSEAL Australia Pty Limited, AESSEAL Polska Sp. z o.o and AVT Reliability Limited are awarded options to purchase shares in AES Engineering Limited, at an exercise price determined by the directors of AES Engineering Limited.

The group expenses an estimate of how many shares are likely to vest based on the market price at the date of grant, taking account of the five/three year vesting window and estimated share price volatility.

The principal vesting requirement is that the employees to whom the options are granted remain in employment until the date options are exercised. Options may be exercised between three and ten years from the date of grant, and are settled in equity.

AES Engineering Limited has one employee (2017: one employee), all employment costs are borne by another group company.

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

5 Directors' emoluments

	2018	2017
	£000	£000
Emoluments including benefits in kind	886	942
Company pension contributions to money purchase schemes	52	70
	938	1,012

Retirement benefits are accruing to seven (2017: five) directors under money purchase schemes. There was one director (2017: no directors) of AES Engineering Limited who exercised share options in the year. There were two directors (2017: one director) of AES Engineering Limited to whom share options were granted during the year.

Highest paid director	2018	2017
	£000	£000
Emoluments including benefits in kind	260	238
Company pension contributions to money purchase scheme	9	10
	269	248

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

6 Tax on profit

	2018 £000	2017 £000
Current tax:		
UK corporation tax on profits of the year	2,189	1,852
Adjustments in respect of previous periods	(58)	(64)
	2,131	1,788
Foreign tax:		
Group companies	4,444	4,445
Adjustments in respect of previous periods	255	125
	4,699	4,570
Total current tax	6,830	6,358
Deferred tax: origination and reversal of timing differences	63	(55)
Tax on profit	6,893	6,303

Corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated assessable profit for the year. As a result of the change in the UK corporation tax rate from 20% to 19% effective from 1 April 2017, substantively enacted on 26 October 2015, and from 19% to 17% effective from 1 April 2020, substantively enacted on 6 September 2016, deferred tax balances at the year end have been measured at 17.5% (2017: 19%), being the rate at which timing differences are expected to reverse.

The tax charged on the profit for the year is higher (2017: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

6 Tax on profit – continued

The tax charged on the profit for the year is higher (2017: higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2018 £000	2017 £000
Profit before taxation	27,678	23,800
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	5,259	4,582
Effects of:		
Expenses not deductible for tax purposes	113	151
Origination and reversal of other timing differences	22	125
Higher tax rates on overseas profits	1,347	1,484
Unutilised losses	30	70
Adjustments in respect of previous periods	197	61
Income not subject to tax	(75)	(170)
Tax on profit	6,893	6,303

7 Profit and loss account

No profit and loss account is presented for the company, as permitted by section 408 of the Companies Act 2006. The profit for the financial year of the company amounted to £9,852,000 (2017: £9,706,000).

8 Dividends

Dividends of £5,250,000 were paid during the year (2017: £4,000,000) and no further dividends were declared (2017: £5,443,000). In March 2019 dividends of £5,186,000 were declared and in April 2019 dividends of £5,006,000 were paid.

AES Engineering Limited

Notes to the financial statements for the ended 31 December 2018

9 Intangible assets – group

	Goodwill £000	Deferred development expenditure £000	Software £000	Other £000	Total £000
Cost					
At 1 January 2018	19,836	6,677	1,257	1,035	28,805
Additions	555	573	886	83	2,097
Disposals	-	(36)	-	-	(36)
Exchange difference	111	-	-	(1)	110
At 31 December 2018	20,502	7,214	2,143	1,117	30,976
Accumulated amortisation					
At 1 January 2018	9,280	5,099	-	477	14,856
Charge for the year	936	605	-	37	1,578
Impairment	334	-	-	-	334
Exchange difference	49	-	-	(2)	47
At 31 December 2018	10,599	5,704	-	512	16,815
Net book value					
At 31 December 2018	9,903	1,510	2,143	605	14,161
At 31 December 2017	10,556	1,578	1,257	558	13,949

In January 2018 the group acquired 29% of the share capital of AESSEAL Polska Sp. z o.o for a consideration of £934,000. The share of net assets acquired was £384,000 giving rise to goodwill of £550,000.

In 2017 an accrual of £488,000 was recognised in respect of the acquisition of AVT Reliability Limited. In 2018 a payment of £493,000 was made and therefore the difference of £5,000 has been recognised as goodwill during the year.

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

10 Intangible assets – company

	Goodwill £000	Trademark and patents costs £000	Total £000
Cost			
At 1 January 2018	337	736	1,073
Additions	-	65	65
At 31 December 2018	337	801	1,138
Accumulated amortisation			
At 1 January 2018	251	248	499
Charge for the year	17	29	46
At 31 December 2018	268	277	545
Net book value			
At 31 December 2018	69	524	593
At 31 December 2017	86	488	574

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

11 Tangible assets – group

	Land and buildings	Plant, fixtures and equipment	Assets under construction	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2018	21,738	50,150	2,733	4,844	79,465
Additions	856	5,788	281	1,628	8,553
Disposals	(155)	(1,387)	-	(593)	(2,135)
Exchange difference	213	57	-	(55)	215
Transfer	-	2,733	(2,733)	-	-
At 31 December 2018	22,652	57,341	281	5,824	86,098
Accumulated					
At 1 January 2018	3,192	36,360	-	2,478	42,030
Charge for the year	304	3,831	-	965	5,100
Disposals	(66)	(1,248)	-	(418)	(1,732)
Exchange difference	14	16	-	(21)	9
At 31 December 2018	3,444	38,959	-	3,004	45,407
Net book value					
At 31 December 2018	19,208	18,382	281	2,820	40,691
At 31 December 2017	18,546	13,790	2,733	2,366	37,435
The net book value of land and buildings comprises:				2018	2017
				£000	£000
Freehold				18,764	18,115
Long leasehold				317	317
Short leasehold				127	114
				19,208	18,546

The cost of depreciable assets included in land and buildings at 31 December 2018 was £21,021,000 (2017: £19,916,000).

The net book value of tangible fixed assets includes an amount of £1,783,000 (2017: £2,362,000) in respect of assets held under hire purchase contracts or finance leases.

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

12 Tangible assets – company

	Land and buildings	Plant, fixtures and equipment	Total
	£000	£000	£000
Cost			
At 1 January 2018	12,357	1,274	13,631
Additions	543	47	590
At 31 December 2018	12,900	1,321	14,221
Accumulated depreciation			
At 1 January 2018	1,420	693	2,113
Charge for the year	102	124	226
At 31 December 2018	1,522	817	2,339
Net book value			
At 31 December 2018	11,378	504	11,882
At 31 December 2017	10,937	581	11,518

The net book value of land and buildings comprises:

	2018	2017
	£000	£000
Freehold	11,061	10,760
Long leasehold	317	177
	11,378	10,937

The cost of depreciable assets included in land and buildings at 31 December 2018 was £11,531,000 (2017: £10,987,000).

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

13 Investments – group

	Associates	Joint ventures
	£000	£000
Cost or valuation		
At 1 January 2018	-	(156)
Acquisition	551	-
Share of retained profit	60	5
Amortisation of goodwill	(3)	-
Exchange difference	-	(9)
At 31 December 2018	608	(160)
Goodwill	185	5
Share of investments	423	(165)
At 31 December 2018	608	(160)

The investments are all unlisted.

During the year the group acquired 25% of the share capital of Eastern Seals (Holdings) Limited and its subsidiaries Eastern Seals (UK) Limited and UK Seals and Polymers Limited for a consideration of £551,000. The share of net assets acquired was £363,000, giving rise to goodwill of £188,000.

The group's share of joint venture gross assets and gross liabilities amounted to £76,000 (2017: £58,000) and £241,000 (2017: £217,000) respectively.

The investment in joint ventures is included within creditors (note 18).

Details of associates and joint ventures are shown in note 33.

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

14 Investments – company

	Subsidiary undertakings	Joint ventures	Total
	£000	£000	£000
Cost of shares			
At 1 January 2018	26,890	161	27,051
Additions	2,630	-	2,630
Impairment	(1,358)	-	(1,358)
At 31 December 2018	28,162	161	28,323

The investments are all unlisted.

In January 2018 the company acquired the remaining 29% of the share capital of AESSEAL Polska Sp. z o.o for a consideration of £934,000.

During the year AESSEAL Middle East FZE was recapitalised by £1,172,000. The company's shareholding remains unchanged.

In April 2018 the company made a payment of £493,000 in respect of deferred consideration for AVT Reliability Limited.

Finally, the company invested £31,000 in the share capital of AESSEAL Austria GmbH, a subsidiary formed in the year.

Details of subsidiary undertakings and joint ventures are also shown in note 33.

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

15 Stocks

	Group	
	2018	2017
	£000	£000
Raw materials and consumables	3,604	3,434
Finished goods and goods for resale	30,706	24,936
	34,310	28,370

16 Debtors

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	33,876	30,319	-	-
Amounts owed by group undertakings	-	-	9,665	5,194
Amounts owed by undertakings in which the entity has a participating interest	262	212	183	190
Other debtors	3,298	4,767	249	2,121
Corporation tax recoverable	2,440	1,029	1,875	-
Deferred taxation (note 21)	162	293	-	-
Prepayments	2,309	1,705	46	359
Accrued income	268	484	-	-
	42,615	38,809	12,018	7,864
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	82	18
	-	-	82	18

Amounts owed by group undertakings are unsecured, at a market rate of interest. Amounts falling due within one year are repayable by 31 December 2019. Amounts falling due after more than one year are repayable by 31 December 2023.

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

17 Creditors amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Bank loans and overdrafts (note 19)	36	24	-	-
Obligations under finance leases and hire purchase contracts (note 20)	750	764	-	-
Trade creditors	7,317	6,731	2	9
Amounts owed to group undertakings	-	-	17,848	19,354
Amounts owed to undertakings in which the entity has a participating interest	5	2	-	-
Other creditors	177	289	-	-
Corporation tax payable	2,671	3,781	14	1,975
Other taxation and social security	2,435	1,900	-	1
Dividend payable	-	5,268	-	5,255
Accruals	9,429	9,299	86	197
Deferred income	531	542	-	-
	23,351	28,600	17,950	26,791

Amounts owed to group undertakings are unsecured, at a market rate of interest, repayable by 31st December 2019.

18 Creditors amounts falling due after more than one year

	Group	
	2018	2017
	£000	£000
Bank loans and overdrafts (note 19)	-	28
Amounts owed to undertakings in which the entity has a participating interest	-	3
Other creditors	220	688
Investment in joint ventures (note 13)	160	156
Obligations under finance leases and hire purchase contracts (note 20)	169	722
	549	1,597

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

19 Loans and overdrafts

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Bank loans	36	52	-	-
	36	52	-	-
Bank loans due within five years:				
Within one year	36	24	-	-
Between one and two years	-	28	-	-
Between two and five years	-	-	-	-
	36	52	-	-

At the year end the group had total loan and overdraft facilities of £20m (2017: £20m), all of which are carried at amortised cost.

The group's principal bankers are HSBC, with whom the company has a £15m multi-currency committed loan facility, which is repayable in full by March 2021. HSBC also provide a £4m overdraft facility, repayable on demand, to the company, AESSEAL plc, Vulcan Engineering Limited, AVTPUMP Limited, AESSEAL (MCK) Limited, AESSEAL Ireland Limited and First4Seals plc.

The bank loan and overdraft facilities are secured by fixed and floating charges over the assets and legal mortgages over the property of the company, group subsidiaries based in the United Kingdom and AESSEAL Inc. These undertakings have also given multilateral guarantees in favour of HSBC. At 31st December 2018 the overdraft balance in the company was £nil (2017: £ nil). The gross overdraft balance in the other companies covered by the multilateral guaranteed was £nil (2017: £3.1m). The interest chargeable on the principal loan and overdraft is 1.08% above LIBOR and 1.15% above base rate respectively.

AESSEAL (Proprietary) Limited and AESPUMP (Pty) Limited share a ZAR 10m overdraft facility provided by HSBC. It is repayable on demand and subject to interest rates charged at 0.90% below the South African Prime Rate.

AESSEAL Brasil LTDA has an overdraft facility for BRL 95k with ITAU and an overdraft facility for BRL 130k with Santander. The company also has access to a BRL 450k ITAU loan facility.

AESSEAL Ibérica S.L. has a €20,000 secured bank loan provided by BankInter. The loan is repayable by 2019 and is subject to an effective interest rate over the life of the loan of 5.6432%.

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

20 Obligations under finance leases and hire purchase agreements

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

	Group	
	2018 £000	2017 £000
Due within one year	769	794
Between one and five years	179	731
Total gross payments	948	1,525
Less finance charges included above	(29)	(39)
	919	1,486

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

The company has no obligations under finance leases and hire purchase agreements.

21 Provisions for liabilities

	Deferred taxation	
	Group £000	Company £000
At 1 January 2018	(293)	200
Exchange difference	20	-
Net charge in year through profit and loss account	63	-
Net charge in year through other comprehensive income	48	-
At 31 December 2018	(162)	200

The deferred taxation asset is included in debtors (note 16).

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

21 Provision for liabilities - continued

Deferred taxation provided in the financial statements comprises:

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Timing differences:				
Accelerated capital allowances	1,167	1,170	200	200
Other timing differences	(946)	(1,035)	-	-
Derivative financial assets and liabilities	(383)	(428)	-	-
	(162)	(293)	200	200

22 Called up share capital

Group and Company	2018	2017
	£000	£000
Allotted and fully paid		
691,984 (2017: 691,984) ordinary shares of £1 each	692	692
777,500 (2017: 777,500) deferred ordinary shares of £1 each	777	777
48,840 (2017: 48,840) "A" ordinary shares of £1 each	49	49
466,008 (2017: 466,008) "A" deferred shares of £0.001 each	1	1
2,608 (2017: 2,608) "B" ordinary shares of £1 each	2	2
	1,521	1,521

During the year no "A" ordinary shares were repurchased or cancelled by the company (2017: 3,118 "A" ordinary shares).

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

22 Called up share capital - continued

Deferred Ordinary Shares and "A" Deferred Shares

The holders of the both classes of deferred shares have no right to dividends and carry no voting rights. On a return of assets, on liquidation or capital reduction or otherwise, the holders of the deferred shares shall be entitled to be paid, as a class, one penny.

"A" Ordinary Shares

The holders of the "A" ordinary shares have no right to receive notice of or to attend or vote at any general meeting of the Company.

"B" Ordinary Shares

The holders of the "B" ordinary shares have no right to dividends and no right to receive notice of or to attend or vote at any general meeting of the Company.

23 Derivative financial assets and liabilities

	2018	2017
	£000	£000
Derivative financial assets measured at fair value	254	368
Derivative financial liabilities measured at fair value	(2,444)	(2,623)
	(2,190)	(2,255)

At 31 December 2018 the company held forward exchange contracts to sell \$54,300,000 (2017: \$25,500,000) and €58,300,000 (2017: €59,650,000) at exchange rates ranging between \$1.288 - \$1.507 and €1.06 - €1.30 respectively. Of these \$22,500,000 (£16,900,000) and €17,520,000 (£15,110,000) fall due within one year (2017: \$16,800,000 (£11,589,000) and €19,500,000 (£16,244,000)).

Forward contracts are designated as cash flow hedges against forecast foreign currency sales. Losses on forward contracts on maturity were recycled from other comprehensive income to turnover which amounted to £1,951,000 (2017: £2,702,000).

Compared to market rates at year end, the amounts receivable under these contracts give rise to a gain in other comprehensive income of £65,000 (2017: £4,111,000 gain).

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

24 Capital and other financial commitments

	Group	
	2018	2017
	£000	£000
Capital expenditure authorised and contracted for	4,058	619

The company has no capital or other financial commitments.

25 Leasing commitments

At 31 December 2018 the group had total commitments under non-cancellable operating leases expiring as follows:

	Group	
	2018	2017
	£000	£000
Land and buildings:		
Within one year	2,016	2,016
Between two to five years	3,212	3,212
After five years	1,606	1,606
	6,834	6,834
Other operating leases:		
Within one year	704	704
Between two to five years	397	397
	1,101	1,101

The company has no leasing commitments.

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

26 Pension commitments

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

Contributions payable to the schemes by the group are included in the pension cost charge in respect of the year and amounted to £1,405,000 (2017: £1,407,000), and outstanding contributions at the balance sheet date amounted to £248,000 (2017: £228,000).

27 Share option plans

An employee share ownership trust was established in the year ended 31 December 2001 to encourage and facilitate the acquisition and holding of shares in the company by and for the benefit of certain employees of the group.

	"A" Ordinary Shares		"B" Ordinary Shares	
	Number	£000	Number	£000
At 1 January 2018	25,564	9,268	2,442	587
Purchased	568	193	-	-
Sold	(500)	(63)	-	-
At 31 December 2018	25,632	9,398	2,442	587

Purchases have been funded by way of a loan from AES Engineering Limited.

"A" ordinary shares were created to offer to employees under share option schemes.

At the year end options outstanding are:

Options	AESSEAL plc Number	Other subsidiaries Number	Total Number	Weighted average exercise price £
Outstanding at 1 January 2018	18,600	8,354	26,954	241.61
Activity during year:				
- Granted during the year	5,290	-	5,290	302.97
- Forfeited during the year	(1,500)	(400)	(1,900)	246.79
- Exercised during the year	(300)	(200)	(500)	126.44
Outstanding at 31 December 2018	22,090	7,754	29,844	254.09
Exercisable at 31 December 2018	100	650	750	131.24

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

27 Share option plans - continued

In respect of options outstanding as at 31 December 2018 the exercise prices range from £83.22 to £339.62, with a weighted average remaining contractual life of 7.7 years.

Options granted during the year

5,290 share options were granted during the year. The weighted average fair value of these options was £63.49. The options are valued using a Black-Scholes model. Key assumptions used in the calculation are as follows:

	2018	
Option life in years	9.63	(Maximum 12)
Risk free rate	1.50	(UK government bonds nominal yield)
Expected volatility	22.44	(estimated based on industry review)
Expected dividend yield	2%	

28 Reconciliation of profit for the financial year to cash flow from operating activities

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit after taxation		20,785	17,497
Adjustments for:			
Amortisation of intangible assets	3	1,578	1,485
Impairment of intangible assets	3	334	-
Depreciation of property, plant and equipment	3	5,100	4,613
Profit on disposal of property, plant and equipment	3	(93)	(184)
Share of joint venture (profits)/losses		(5)	54
Share of associates profits		(57)	-
Interest paid	2	153	284
Interest received	2	(154)	(158)
Exchange differences		123	545
Equity settled share based payments	3	252	158
Taxation		6,893	6,303
Increase in trade and other debtors		(2,508)	(4,710)
Increase in stocks		(5,984)	(2,512)
Increase in trade and other creditors		1,237	2,428
Cash flow from operating activities		27,654	25,803

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

29 Reconciliation of net cash flow to movement in net cash

	2018 £000	2017 £000
(Decrease) / increase in cash in the year	(409)	4,925
Increase in debt and lease financing	817	765
Change in net debt resulting from cash flows	408	5,690
Foreign currency translation adjustment	(489)	(50)
New finance leases	(250)	(125)
Movement in net debt in the year	(331)	5,515
Net cash at 1 January	15,840	10,325
Net cash at 31 December	15,509	15,840

30 Analysis of changes in net debt

	At 1 January 2018 £000	Cash flow £000	Other Changes £000	Exchange movement £000	At 31 December 2018 £000
Cash at bank and in hand	13,049	3,158	-	(505)	15,702
Overdraft offset facility	4,329	(3,567)	-	-	762
	17,378	(409)	-	(505)	16,464
Bank loans	(52)	15	-	1	(36)
Finance lease obligations	(1,486)	802	(250)	15	(919)
	(1,538)	817	(250)	16	(955)
Total	15,840	408	(250)	(489)	15,509

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

31 Related party transactions

Company

At the year end the balances owed to and by subsidiaries and joint ventures not wholly owned by the company are as follows:

	2018 £000	2017 £000
Amounts due from subsidiaries	773	338
Amounts due from joint ventures	183	212
Amounts due to subsidiaries	(10,366)	(15,037)
	(9,410)	(14,487)

Interest is charged on the above balances on a normal commercial basis and carried out at arm's length. The total net interest incurred by the company during the year was £108,000 (2017: £52,000 net interest incurred). The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

Group

Transactions with joint ventures are on a normal commercial basis and carried out at arm's length.

Joint ventures:

During the year the group made sales to AESSEAL Oryx LLC of £152,000 (2017: £36,000).

At the year end the net balance owed to the group by AESSEAL Oryx LLC was £262,000 (2017: £212,000).

The net balance owed by the group to AESSEAL Oryx LLC was £2,000 (2017: £5,000).

Associated companies:

During the year the group made sales of £152,000 to the Eastern Seals group of companies.

The net balance owed by the group to the Eastern Seals group of companies was £3,000.

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

33 Group companies

Group undertakings

The undertakings of the group at 31 December 2018, all of which are included in the consolidated financial statements, are shown below.

Name	Country of incorporation	Registered Address	Class of share	% held
The following subsidiaries are registered at Global Technology Centre, Mill Close, Bradmarsh Business Park, Rotherham, S60,1BZ, United Kingdom:				
Absolute Vacuum Services Limited	England and Wales		Ordinary	100
AES Engineering Employee Trust Limited	England and Wales		Ordinary	100
AESSEAL plc	England and Wales		Ordinary	100
AVT Reliability Limited	England and Wales		Ordinary	100
AVTPUMP Limited	England and Wales		Ordinary	100
first4seals plc	England and Wales		Ordinary	100
The following subsidiaries are registered at 67 Loper Avenue, Aeroport Park, Spartan Ext 2 Isando, 1619:				
AESSEAL (Proprietary) Limited	South Africa		Ordinary	74.9
AESPUMP (Pty) Ltd (*)	South Africa		Ordinary	74.9
AESSEAL Holdings (Pty) Ltd	South Africa		Ordinary	100
The following subsidiaries are registered at 355 Dunavant Drive, Rockford, Tennessee 37853:				
AESSEAL Inc.	United States of America		Ordinary	100
AESSEAL Investments Inc (*)	United States of America		Ordinary	100
AESSEAL Holdings LLC (*)	United States of America		Ordinary	100

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

33 Group companies - continued

AVT Reliability B.V. (*)	Netherlands	Nikkelstraat 27, 4823 AE, Breda.	Ordinary	100
AESSEAL Benelux B.V.	Netherlands	Nikkelstraat 27, 4823 AE, Breda.	Ordinary	100
AESPUMP GmbH	Germany	Heidigstrasse 9, Kronau, D - 76709	Ordinary	100
AESSEAL Deutschland GmbH	Germany	Heidigstrasse 9, Kronau, D - 76709	Ordinary	100
ProPack Dichtungen und Packungen AG	Germany	Rudolf-Diesel-Ring 28, D 82054 Sauerlach	Ordinary	100
AESSEAL Cold Weld Private Limited	India	Shed No. 11, The Sidhpura Co-operative Industrial estate ltd, S. V. Road, Behind Kamat Club, Goregaon (West),	Ordinary	60
AESSEAL India Private Limited	India	Gat No 85, At Post Varve, Taluka Bhore, Dist. Pune, Pune 412 205	Ordinary	100
AESSEAL (MCK) Limited	Northern Ireland	139A Hillsborough Old Rd, Lisburn, County Antrim, BT27 5QE	Ordinary	100
AESSEAL Ireland Limited	Northern Ireland	139A Hillsborough Old Rd, Lisburn, County Antrim, BT27 5QE	Ordinary	100
AESSEAL Madagascar SARL. (*)	Madagascar	25 Rue Raveloary, Isoraka, 101 Antananarivo.	Ordinary	99
AESSEAL (M) SDN. BHD.	Malaysia	Room 101, 1st Floor, No. 368, Jalan Pudu, 55100 Kuala Lumpur	Ordinary	90

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

33 Group companies - continued

AESSEAL Argentina SA	Argentina	Jose Ingenieros 4860-64, (1646) San Fernando, B1605BH - Munro, Buenos Aires	Ordinary	71
AESSEAL Australia Pty Limited	Australia	DFO Centre Suite38, 16 Amazons Place, JINDALEE QLD 4074	Ordinary	87.5
AESSEAL Botswana (Pty) Ltd (*)	Botswana	Plot 50371, Fairground Office Park, Gaborone	Ordinary	100
AESSEAL Brasil LTDA	Brazil	São Paulo: Av. Guido Caloi No 1985, Galpao 3, Santo Amaro, CEP 0582-140, Sao Paulo SP	Ordinary	60
AESSEAL Canada Inc	Canada	Unit #304 Willowbrook Business Centre, 19292 60th Avenue, Surrey, BC V3S 3M2	Ordinary	100
AESSEAL Caribbean Limited	Trinidad and Tobago	Cor Carli Bay Road and Caspian Drive, Point Lisas, Trinidad W1	Ordinary	100
AESSEAL Chile SA (*)	Chile	Av. El Retiro 1275, Bodega A05 / Renca – Santiago	Ordinary	71
AESSEAL Ningbo Limited	China	No. 366 Jingu Zhonglu, Yinzhou Investment and Business, Incubation Centre, Zhengjiang Province, Ningbo City, 315104	Ordinary	100
AESSEAL Colombia SA (*)	Colombia	Calle 25G No. 85B - 65 Barrio Santa Cecilia de Modelia	Ordinary	100

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

33 Group companies - continued

AESSEAL Czech s.r.o.	Czech Republic	Turanka 115, 627 00 Brno	Ordinary	75
AESSEAL Danmark A/S	Denmark	Koebenhavnsvej 222, DK-4600 Koege	Ordinary	100
AESSEAL Finland OY	Finland	Sorastajantie 1a lt.2, Jyvaskyla, 40340	Ordinary	100
AESSEAL France SAS	France	392 Rue de l'Epinette, BAT 5- ZA Monts De Flandres, 59850 Nieppe	Ordinary	100
AESSEAL Ibérica S.L.	Spain	Calle Plata 7, Polígono Industrial Riu Clar, 43006 Tarragona	Ordinary	100
AESSEAL Italia SRL	Italy	Via Varese 17/B - 21013 Gallarate (Va)	Ordinary	100
AESSEAL Mexico S. de R.L. de C.V. (*)	Mexico	Carretera Tampico-Mante 2005-D planta alta y baja, Colonia del Bosque, CP. 89318, Tampico, Tamaulipas	Ordinary	100
AESSEAL Middle East FZE	United Arab Emirates	Showroom No S3B5SR08, Jebal Ali, PO Box: 263199, Dubai, UAE	Ordinary	100
AESSEAL Namibia (Pty) Limited (*)	Namibia	3rd Floor, 344 Independence Avenue, Windhoek, Namibia	Ordinary	100
AESSEAL Nordic AB	Sweden	Varuvägen 32, Älvsjö, SE 125 30.	Ordinary	91
AESSEAL Nordic AS (*)	Norway	Lilleakerveien 10, Lilleakerveien, 0283, Oslo, Norway	Ordinary	91

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

33 Group companies - continued

AESSEAL Polska Sp. z o.o	Poland	Mazańcowice 999, 43-391 Mazańcowice	Ordinary	100
AESSEAL Rus	Russia	Boldyreva Street, 1 Koroliov City, Moscow Area, 141073	Ordinary	85
AESSEAL Saudi Arabia Company Limited (*)	Saudi Arabia	2nd Industrial City, Mekkahh Street, Damman 34334, P.O Box 6770	Ordinary	100
AESSEAL Singapore PTE Limited (*)	Singapore	No 41 Toh Guan East, ADL Building, #04-01C	Ordinary	90
AESSEAL Sizdermazlik Sistermleri Ticaret Limited Sirketi	Turkey	Tekstil Kent Is Merkezi, A15 Blok, No.13 Esenler - Istanbul 34235	Ordinary	100
AESSEAL Taiwan Co Ltd (*)	Taiwan	No.124 Zhumen Ln., RenWu Dist., Kaohsiung City 81448, Taiwan (R.O.C.)	Ordinary	81
AESSEAL Univeda Lda	Portugal	Estrada Consiglieri Pedroso, 71 Edificio E - Fracção Q4 - 2730-055 Queluz de Baixo	Ordinary	100
AESSEAL Austria GmbH	Austria	4616 Weißkirchen an der Traun, Obere Dorfstraße 39	Ordinary	100
AVT Reliability (Ireland) Limited (*)	Ireland	Crowleys DFK, 5 Lapps Quay, Cork, T12 RW7D	Ordinary	100
Vulcan Engineering Limited	England and Wales	Unit 3, South West Centre, Troutbeck Road, Sheffield, South Yorkshire, S8 0JR	Ordinary	90
Vulcan Seals, Inc. (*)	United States of America	11401-11481 Rupp Drive, Burnsville, MN 55337	Ordinary	85.1

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

33 Group companies - continued

Mechanical Seal & Service, Inc. (*)	United States of America	3717 Brazos Avenue, Odessa, Texas, 79764	Ordinary	100
Coating Center Inc. (*)	United States of America	108 West 13 th Street, Wilmington, Delaware 19801	Ordinary	85.1
AVT Sealing Solutions Inc. (*)	United States of America	1421 Bernard Drive, Addison, IL 60101	Ordinary	100
Sealing Products of Corpus Christi, L.L.P. (*)	United States of America	433 Sunbelt Drive, Suite A, Corpus Christi, TX 78408	Ordinary	100
AES Insulate Seals India Private Limited	India	Gat No 85, At Post Varve, Taluka Bhore, Dist. Pune, Pune 412 205	Ordinary	90
TCCI Limited (*)	England and Wales	139-141 Watling Street, Gillingham, Kent, ME7 2YY	Ordinary	90
Marine Sealing Services Limited (*)	England and Wales	139-141 Watling Street, Gillingham, Kent, ME7 2YY	Ordinary	85.1
ITK Sealing Solutions Limited (*)	England and Wales	Unit 3-4 Troutbeck Road, South West Centre, Sheffield, South Yorkshire, S8 0JR	Ordinary	90
Sealman Limited (*)	England and Wales	Unit 3, South West Centre, Troutbeck Road, Sheffield, South Yorkshire, S8 0JR	Ordinary	90
Sealtec PLC SA (*)	Uruguay	Asunción 1476, CP11800 Montevideo, Uruguay	Ordinary	71
AESSEAL Coj SARL**	Algeria	Lot No 5 Zone, d'activities, Ain Benian, Alger, Algeria	Ordinary	49

(*) Denotes companies whose shares are fully or partially owned by a subsidiary at the balance sheet date.

(**) The directors are of the opinion that the parent company exercises dominant control over

AES Engineering Limited

Notes to the financial statements for the year ended 31 December 2018

33 Group companies - continued

AESSEAL COJ SARL and therefore believe it is appropriate to account for the entity as a subsidiary.

Joint ventures and associated companies

Name	Country of incorporation	Registered Address	Class of share	% held
AESSEAL Oryx LLC	Qatar	PO Box 205045, East Side Support Service Area, Ras Laffan Industrial City, Ras Laffan	Ordinary	49
Eastern Seals (Holdings) Limited (*)	England & Wales	Unit 3 Sovereign Business Park, Jubilee Industrial Estate, Ashington, Northumberland, NE63 8UG	Ordinary	21.3
Eastern Seals (UK) Limited (*)	England & Wales	Unit 3 Sovereign Business Park, Jubilee Industrial Estate, Ashington, Northumberland, NE63 8UG	Ordinary	21.3
UK Seals and Polymers Limited (*)	England & Wales	Unit 1d Avenue One, Chilton Industrial Estate, Chilton, Ferryhill, DL17 0SF	Ordinary	21.3

At 31 December 2018 the aggregate capital and reserves of AESSEAL Oryx LLC was negative £337,000 (2017: negative £324,000) and the profit for the year ended 31 December 2018 was £5,000 (2017: £111,000 loss).

34 Ultimate controlling party

The Directors consider Mr C J Rea OBE DL to be the ultimate controlling party and parent undertaking by virtue of his shareholding in AES Engineering Limited.

Copies of the 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.