
AEI COMPOUNDS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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AEI COMPOUNDS LIMITED
REGISTERED NUMBER:00163690

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	5	715	902
Investments	6	1	1
		716	903
Current assets			
Stocks	7	2,509	1,564
Debtors: amounts falling due within one year	8	3,274	2,138
Cash at bank and in hand		451	99
		6,234	3,801
Creditors: amounts falling due within one year	9	(7,312)	(3,674)
Net current (liabilities)/assets		(1,078)	127
Total assets less current liabilities		(362)	1,030
Net (liabilities)/assets		(362)	1,030
Capital and reserves			
Called up share capital	10	15,166	15,166
Profit and loss account	11	(15,528)	(14,136)
		(362)	1,030

AEI COMPOUNDS LIMITED
REGISTERED NUMBER:00163690

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The Company has opted not to file the Statement of Comprehensive Income in accordance with provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Andrea Savonuzzi
Andrea Savonuzzi (Sep 8, 2022 09:08 CDT)

A Savonuzzi
Director

Date: 08/09/2022

The notes on pages 4 to 15 form part of these financial statements.

AEI COMPOUNDS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2020	15,166	(12,904)	2,262
Comprehensive loss for the year			
Loss for the year	-	(1,232)	(1,232)
At 1 January 2021	15,166	(14,136)	1,030
Comprehensive loss for the year			
Loss for the year	-	(1,392)	(1,392)
At 31 December 2021	15,166	(15,528)	(362)

AEI COMPOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

AEI Compounds Limited is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 00163690). The registered office address is Sandwich Industrial Estate, Sandwich, Kent, CT13 9LY.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the Company as an individual entity and not about its group.

AEI Compounds Limited is a wholly owned subsidiary of SACO AEI Polymers Inc. SACO AEI Polymers Inc is a subsidiary of AESSE Investments Limited. The results of AEI Compounds Limited are included in the consolidated financial statements of AESSE Investments Limited which are available from their registered office at 3220 Crocker Avenue, Sheboygan, WI 53081, USA.

The following principal accounting policies have been applied:

AEI COMPOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.2 Going concern

During the year the Company made a loss of £1,392k (2020 - £1,232k) and at the statement of financial position date had net current liabilities of £1,078k (2020 assets - £127k) and net liabilities of £362k (2020 assets - £1,030k). During the year the parent company provided cash advances to assist with working capital in the Company; and prior to the statement of financial position date the majority of the balances due to the parent was capitalised through the issue of ordinary share capital as recorded in note 12.

Since the statement of financial position date, the COVID-19 virus crisis continued to affect the Company. The potential risks to the Company have included the following, and in the order of importance:

- Disruption of the Company supply chain of critical services and materials.
- Increased absenteeism by company and group employees.
- Disruption of transport services for the Company raw materials and finished products.
- Primary suppliers have been deemed non-essential by local jurisdictions.

To date, the Company have been successful in managing and implementing measures to mitigate these risks. The mitigation measures taken by the Company to mitigate these risks include:

- Diversified and increased sales to customers for which the Company is not the primary supplier.
- Establishing alternative transport services.
- Work to increase safety stock of critical inventories and using secondary suppliers.
- Requiring non-essential personnel to work remotely.
- Monitoring essential employees and implementing practices to safeguard the workplace.

The Company's invoice discount facility is due to renew in July 2022 and the directors are negotiating an extension with favourable terms. The ultimate parent company has confirmed its express intentions to continue to provide support for a period of at least 12 months from the date of signing the financial statements, and whilst the directors believe that this will be received as required, there is no contractual obligation by the ultimate parent company to provide this support. This, therefore, gives rise to a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

The directors have assessed the current COVID 19 pandemic situation and consider that the Company undertaken the needed actions to maintain business operations and to safeguard employee well being, commercial relationships and company and ultimate parent company financial assets. The directors also consider that the ultimate parent company has the financial ability to provide additional financial resources to the Company if needed. Therefore, the directors consider that the Company will continue to trade, and has access to sufficient appropriate resources to meet its liabilities as they fall due, for at least twelve months from the date of approval of these financial statements, and have thus prepared the financial statements on a going concern basis.

AEI COMPOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

AEI COMPOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold land and buildings	- Over the life of the lease
Plant and machinery	- 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

AEI COMPOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured on initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Company's cash management.

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

AEI COMPOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.13 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

AEI COMPOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. 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 discussed below.

Inventory provisions

The Company manufactures and sells thermoplastic and cross linkable compounds. Inventory includes raw materials, work in progress and finished goods. There is a risk that inventory may become obsolete. As a result it is necessary to consider the recoverability of the cost of the inventory and associated provision required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around the anticipated sale ability of finished goods.

Fixed asset impairment

The Company is in a loss making position. This is an indicator that the Company's tangible fixed assets may be impaired. When assessing whether an impairment provision should be recognised, management considers the future profitability of the Company's product offering, use of the Company's plant and machinery in this offering and the resale market for plant and machinery. This impacts both the value in use and fair value calculations used in the Company's impairment review. Management has concluded that no impairment is required at 31 December 2021 in respect of the Company's tangible fixed assets.

4. Employees

The average monthly number of employees, including directors, during the year was 45 (2020 - 43).

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5. Tangible fixed assets

	Leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 2021	83	7,339	7,422
Additions	-	30	30
Disposals	(51)	(44)	(95)
At 31 December 2021	32	7,325	7,357
Depreciation			
At 1 January 2021	80	6,440	6,520
Charge for the year	1	216	217
Disposals	(51)	(44)	(95)
At 31 December 2021	30	6,612	6,642
Net book value			
At 31 December 2021	2	713	715
At 31 December 2020	3	899	902

6. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2021	1
At 31 December 2021	1

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

7. Stocks

	2021 £000	2020 £000
Work in progress (goods to be sold)	179	80
Finished goods and goods for resale	2,330	1,484
	2,509	1,564

8. Debtors

	2021 £000	2020 £000
Trade debtors	2,815	1,805
Amounts owed by group undertakings	22	6
Other debtors	437	327
	3,274	2,138

Balances due from group companies are all unsecured, interest free and repayable on demand.

9. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	686	1,248
Amounts owed to group undertakings	3,883	1,310
Other taxation and social security	160	40
Other creditors	1,922	1,076
Accruals and deferred income	661	-
	7,312	3,674

The immediate parent company and fellow subsidiaries of AEI Compounds Limited have provided guarantees in respect of the Company's invoice discount facility.

Included within other creditors is a balance of £1,599k (2020 - £767k) in respect of an invoice discount facility. This is secured upon the underlying trade debtors and carries interest at a rate of 5%.

AEI COMPOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

10. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
15,166,030 Ordinary shares of £1.00 each	<u>15,166</u>	<u>15,166</u>

11. Reserves

Profit and loss account

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

12. Contingent liabilities

A contingent liability has arisen as a result of a legal dispute with a customer in relation to product sales in 2018. The likelihood that the case will be lost is estimated to be around 50%. There is uncertainty regarding the quantum of potential damages if the case is lost, however, the Company could become liable to pay around £300k in relation to costs and legal fees. The matter is expected to be resolved in January 2023.

13. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £91k (2020 - £70k). At the year end contributions of £41k (2020 - £37k) were included in creditors.

14. Related party transactions

The Company has taken advantage of the exemption in FRS 102 Section 33.1A to not disclose transactions with wholly owned group entities.

At the statement of financial position date the Company was owed £6k (2020 - £6k) by its subsidiary AEI India Compounds India Private Limited.

At the statement of financial position date the Company was owed £Nil (2020 - £192k) by another group undertaking SACO AEI Polymers Malaysia. During the year the Company issued sales invoices to SACO AEI Polymers Malaysia amounting to £Nil (2020 - £164k) and received purchase invoices amounting to £Nil (2020 - £261k).

The amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2020 - £Nil) in respect of bad debts from related parties.

AEI COMPOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

15. Controlling party

The immediate parent undertaking is Saco AEI Polymers Inc., a company registered in the United States of America.

The ultimate parent undertaking is AESSE Investments Limited, a company registered in the United States of America.

The largest and smallest group of undertakings for which group accounts for the year ending 31 December 2021 have been drawn up, is that headed by AESSE Investments Limited. Copies of the group accounts are available from their registered office at 3220 Crocker Avenue, Sheboygan, WI 53081, USA.

The ultimate controlling party is A Savonuzzi, by virtue of his majority shareholding.

AEI COMPOUNDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

16. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2021 was qualified.

The qualification in the audit report was as follows:

"Basis for qualified opinion

We were not able to observe the counting of the physical stock at 31 December 2021 or at 31 December 2020. Furthermore, we were unable to satisfy ourselves by alternative means concerning the stock quantities held at 31 December 2021 or 31 December 2020 by using other audit procedures. Consequently, we were unable to determine whether any adjustment to the stock amounts included in the Statement of Financial Position of £2,509k and £1,564k respectively was necessary, in addition we were unable to determine where any adjustment to the costs of sales amounts in the Statement of Comprehensive Income of £10,783k and £7,431k respectively was necessary.

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

The auditor's report drew attention to the following material uncertainty relating to going concern:

"Material uncertainty relating to going concern

We draw attention to note 2.2 in the financial statements regarding the losses in the year and the reliance of the Company on ultimate parent company support. The ultimate parent company has confirmed its express intentions to continue to provide support for a period of at least 12 months from the date of signing the financial statements, and whilst the directors believe that this will be received as required, there is no contractual obligation by the ultimate parent company to provide this support. As stated in note 2.2, these events or conditions, along with the other matters as set out in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. Our opinion not modified in respect of this matter.

Notwithstanding the above, in auditing the financial statements we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate."

The auditor's report was signed by Stephen Drew of CLA Evelyn Partners Limited as senior statutory auditor.