

**AEROVAC KEIGHLEY LTD**

Annual report and financial statements

Registered number 01472714

For the year ended 31 December 2021



**AEROVAC KEIGHLEY LTD**  
*Annual report and financial statements*  
*For the year ended 31 December 2021*

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## **Directors' report**

The directors present their Directors' report and the audited financial statements for the year ended 31 December 2021.

The Directors' report has been prepared in accordance with the special provisions relating to small companies under Section 415A of the Companies Act 2006.

The Company has taken advantage of the exemption from preparing a Strategic Report allowed by section 414B of the Companies Act 2006. The company has also taken exemptions allowable for small companies within this Directors' Report.

### **Principal activities**

The principal activity of the company is the distribution of a range of consumable products used within the composite materials industry.

### **Going Concern**

The financial statements have been prepared on a going concern basis. The company was acquired by GLS Composites Distribution LLC on 1 March 2021 as part of plans to expand the Composite One's operations outside of the US market.

Following the post year end sale to GLS Composites Distribution LLC, a cash injection of £100,000 was made into the company on 1 March 2021. The company is supported by the group, and a letter of support has been issued by the parent company, GLS Composites Distribution LLC, to state that it will support this company to meet its financial obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The directors have considered the potential cash needs of the company in the foreseeable future under a worst case scenario and the potential of the ultimate parent company to provide the financial support. The ultimate parent company has access to a \$110m finance facility, from which \$40m remains undrawn as of the date of approval of these financial statements, a position which is not expected to materially change in the foreseeable future based on group level forecasts. As such, the directors have no concerns regarding the group's ability to provide financial support should it be required, and feel it is appropriate to prepare these financial statements on a going concern basis.

### **Results and key performance indicators**

The results of the company are set out in the profit and loss account on page 9. The company uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised below:

	31 December 2021 £000	31 December 2020 £000
Turnover	4,345	4,040
Gross profit	1,330	858
Gross profit %	30.6%	21.2%
Operating loss	(1,551)	(911)

Turnover in the increased by £305k compared to the prior year. Gross profit percentage was also significantly higher, driven by product sales mix. Trading has again been difficult this year, operating in tight and competitive markets.

Furthermore, like 2020, 2021 has been a challenge due to the COVID19 pandemic which hit all aspects of our operations. COVID19 has impacted the markets in which we operate but we have managed to maintain our margin percentages and expect to do so going forward.

## **Directors' report (Continued)**

Operating loss increased by £640k in 2021, to a loss of £1,551k from 2020. The increase in loss is mainly driven by selling and administration overheads, as a result of the sale of the business and transfer over of key staff from our previous owners.

In addition to financial measures, the board also monitors the company's operations with the objective of ensuring that safety, health and environmental considerations are at the core of all working practices. In measuring the success of this, the board reviews the level of reported incidents and monitors the training being undertaken by all relevant employees.

During the year, performance was satisfactory.

### **Principal risks and uncertainties and financial risk management**

The key risk areas of the company are:

- customer pricing affecting sales and gross margin;
- loss of key customer accounts;
- foreign exchange risk; and
- effect of the UK leaving the EU

The company seeks to manage as far as possible the key risks that it faces.

The company is exposed to risks associated with the markets in which it operates and attributable to the wider social and economic environment. The company is expected to be able to perform according to its budget. The company also faces specific risk to its trading activities, such as the potential loss of major customers or suppliers. The company continues to maximise service levels and conduct business with integrity in order to minimise such risks. We also plan to expand product ranges as well as delivering improved technology and products.

Customer pricing is under constant review and is managed by our sales team. Excellent customer service and customer relations will continue to mitigate pricing pressures.

The company also faces risks specific to its trading activities, such as the potential loss of major customers or suppliers. The company continues to maximise service levels and conduct business with integrity in order to minimise such risks.

Foreign exchange risk is managed by the group treasury function, through utilising group banking facilities and internal bank accounts. Following the impact of the 'Brexit' referendum, we will continue to monitor the risks and opportunities involved with UK leaving the EU.

Having considered the above risks and uncertainties, the directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Dividend**

During the year dividends of £1,400,000 (2020: *£nil*) were proposed and paid. In February 2021, prior to our sale, a dividend of £1,400,000 was paid to the Company's shareholder at the time, Umeco Limited.

### **Directors**

The Directors who held office during the period and up to the date of this report were as follows:

LC Edenbrow  
DS Clears

There are no directors' indemnities.

## **Directors' report (Continued)**

### **Post balance sheet events**

A SMOG reserve increase was posted for the amount of £177k in order to bring us in line with the SMOG policy of our parent company. This has been adjusted for in the reported numbers.

### **Disclosure of information to auditor**

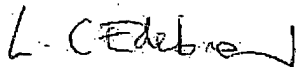
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and MHA MacIntyre Hudson will therefore continue in office.

Approved by the board of directors and signed on its behalf by



**LC Edenbrow**  
*Director*

500 Bradford Road  
Sandbeds, Keighley, BD20 5NG

Date: 28 November 2022

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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## AEROVAC KEIGHLEY LTD

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC KEIGHLEY LTD

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#### Opinion

We have audited the financial statements of Aerovac Keighley Ltd (the 'Company') for the year ended 31 December 2021, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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## **AEROVAC KEIGHLEY LTD**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC KEIGHLEY LTD (CONTINUED)**

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#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.



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## AEROVAC KEIGHLEY LTD

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC KEIGHLEY LTD (CONTINUED)

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#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Enquiry of management and those charged with governance around actual and potential litigation claims;
- Enquiring with entity staff regarding any known instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimate for bias; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

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**AEROVAC KEIGHLEY LTD**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC KEIGHLEY LTD (CONTINUED)**

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**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Atul Kariya FCCA (Senior Statutory Auditor)  
for and on behalf of  
**MHA MacIntyre Hudson**  
Statutory Auditor  
London  
Date: 01 December 2022

**Profit and loss account**  
for the year ended 31 December 2021

		2021	2020
	<i>Note</i>	<b>Total £000</b>	<b>Total £000</b>
<b>Turnover</b>	2	<b>4,345</b>	4,040
<b>Cost of sales</b>		<b>(3,015)</b>	(3,182)
<b>Gross profit</b>		<b>1,330</b>	858
<b>Administrative expenses</b>		<b>(2,881)</b>	(1,769)
<b>Operating loss</b>		<b>(1,551)</b>	(911)
Interest receivable and similar income	6	4	1
Interest payable	6	(6)	-
<b>Loss before taxation</b>		<b>(1,553)</b>	(910)
<b>Tax on loss</b>	7	<b>269</b>	53
<b>Loss for the financial year</b>		<b>(1,284)</b>	(857)

The results shown in the profit and loss account derive wholly from continuing operations.

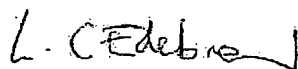
The company had no recognised gains and losses other than the profit for the year in either the current or preceding year therefore, no statement of other comprehensive income has been produced.

The notes on pages 12 to 24 form an integral part of these financial statements.

**Balance sheet**  
*as at 31 December 2021*

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Tangible assets	9	1,198	1,255
		<u>1,198</u>	<u>1,255</u>
<b>Current assets</b>			
Stocks	10	771	712
Debtors	11	1,316	3,031
Cash at bank and in hand		1,243	-
		<u>3,330</u>	<u>3,743</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,632)</u>	<u>(1,418)</u>
<b>Net current assets</b>		<u>(302)</u>	<u>2,325</u>
<b>Net assets</b>		<u>896</u>	<u>3,580</u>
<b>Capital and reserves</b>			
Called up share capital	14	1	1
Dividend		(1,400)	-
Profit and loss account		2,295	3,579
<b>Shareholders' funds</b>		<u>896</u>	<u>3,580</u>

The notes on pages 12 to 24 form an integral part of these financial statements. These financial statements were approved by the board of directors on 28 November 2022 and were signed on its behalf by:



**LC Edénbrow**  
Director

Date: 28 November 2022

Company registered number: 01472714

## Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	1	3,579	3,580
Loss and total comprehensive expense for the financial year	-	(1,284)	(1,284)
Dividend Paid	-	(1,400)	(1,400)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2021</b>	<b>1</b>	<b>895</b>	<b>896</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	1	4,436	4,437
Loss and total comprehensive expense for the financial year	-	(857)	(857)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2020</b>	<b>1</b>	<b>3,579</b>	<b>3,580</b>
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## **Notes to the financial statements**

For the year ended 31 December 2021

### **1 Accounting policies**

Aerovac Keighley Ltd (the “Company”) is a private company, limited by shares, incorporated and registered in the UK (England and Wales) under the Companies Act 2006. The company’s registered address information is included within the Directors’ Report.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”). The functional and presentational currency of the Company and its financial statements is UK GBP, rounded to the nearest £1,000.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s immediate parent undertaking at the time of these accounts was Aerovac Systems UK Ltd, with GLS Composites Distribution LLC being the ultimate parent company. In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Comparative period reconciliations for tangible fixed assets.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

#### **1.1. Measurement convention**

The financial statements are prepared on the historical cost basis.

## **Notes to the financial statements**

For the year ended 31 December 2021

### **1 Accounting policies (continued)**

#### **1.2. Going concern**

The financial statements have been prepared on a going concern basis. The company was acquired by GLS Composites Distribution LLC on 1 March 2021 as part of plans to expand the Composite One's operations outside of the US market.

During the financial year, four members of staff were furloughed in early 2020 and one was subsequently made redundant as a result of COVID 19 on the business. The remaining members of staff returned to work in 2020 coinciding with an upturn in sales.

Following the post year end sale to GLS Composites Distribution LLC, a cash injection of £100,000 was made into the company on 1 March 2021. The company is supported by the group, and a letter of support has been issued by the parent company, GLS Composites Distribution LLC, to state that it will support this company to meet its financial obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. The directors have considered the potential cash needs of the company in the foreseeable future under a worst case scenario and the potential of the ultimate parent company to provide the financial support. The ultimate parent company has access to a \$110m finance facility, from which \$40m remains undrawn as of the date of approval of these financial statements, a position which is not expected to materially change in the foreseeable future based on group level forecasts. As such, the directors have no concerns regarding the group's ability to provide financial support should it be required, and feel it is appropriate to prepare these financial statements on a going concern basis.

#### **1.3. Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency of GBP at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account 2021.

#### **1.4. Non-derivative financial instruments**

Non-derivative financial instruments comprise, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

##### *Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

## **Notes to the financial statements**

For the year ended 31 December 2021

### **1 Accounting policies (continued)**

#### **1.5. Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### **1.6. Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The annual depreciation rates applied are as follows:

Freehold buildings	2%
Plant and machinery	15% to 25%

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### **1.7. Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is calculated based on the most current selling price of the items in question.

#### **1.8. Impairment excluding stocks and deferred tax assets**

##### *Financial assets (including trade and other debtors)*

Financial Assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.



## **Notes to the financial statements**

For the year ended 31 December 2021

### **1 Accounting policies (continued)**

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **1.9 Employee benefits**

##### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

#### **1.10 Turnover**

Turnover is recognised in the profit and loss account when goods or services are supplied or made available to customers against orders received, the significant risks and rewards of ownership have been transferred to the customer and the amount of turnover can be measured reliably. Turnover excludes value added tax and other similar sales taxes. No turnover is recognised where the recovery of the consideration is not probable. Turnover is stated after the deduction of discounts and allowances for estimated future returns. The methodology and assumptions used to estimate returns are monitored and adjusted in the light of contractual and legal obligations, historical trends, past experience and projected market conditions.

#### **1.11 Interest Receivable**

Interest income is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

#### **1.12 IFRS 16 lease payments**

##### *Definition*

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset; and
- Direct the use of the underlying asset (eg direct how and for what purpose the asset is used)

##### *Initial recognition and measurement*

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

## Notes to the financial statements

For the year ended 31 December 2021

### 1. Accounting policies (*continued*)

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

#### *Subsequent measurement*

After the commencement date, the company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

#### *Lease modifications*

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

#### *Short term and low value leases*

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

## Notes to the financial statements

For the year ended 31 December 2021

### 1 Accounting policies (*continued*)

#### 1.13. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### 2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers during the period. The turnover is attributable to the company's principal activity.

*Analysis of turnover by geographical market*

	2021 £000	2020 £000
United Kingdom	2,056	2,060
Rest of Europe	1,715	1,785
Rest of World	574	195
	<u>4,345</u>	<u>4,040</u>

### 3 Auditor's remuneration

	2021 £000	2020 £000
Audit of these financial statements	25	13

There are no non audit services for the current and prior year.

## Notes to the financial statements

For the year ended 31 December 2021

### 4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Production	1	1
Administration	15	9
	<u>16</u>	<u>10</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	921	373
Health Insurance Premiums	5	28
Social security costs	128	47
Contributions to defined contribution plans	85	31
	<u>1,139</u>	<u>479</u>

There are £11,815 outstanding creditors in respect of the defined contribution pension scheme at 31 December 2021 (2020: £4,042).

### 5 Directors' remuneration

	2021 £000	2020 £000
Directors' remuneration	487	-
Company contributions to money purchase pension plans	43	-
	<u>530</u>	<u>-</u>

The highest paid director received remuneration of £345,108 (2020: £nil).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £30,692 (2020: £nil).

	Number of directors	
	2021	2020
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	<u>2</u>	<u>-</u>

### 6 Net interest and similar income

	2021 £000	2020 £000
Interest and similar miscellaneous income	(4)	1
Interest expense	<u>6</u>	<u>-</u>

## Notes to the financial statements

For the year ended 31 December 2021

### 7 Taxation

#### Recognised in the profit and loss account

	2021		2020
	£000	£000	£000
<i>UK corporation tax</i>			
Adjustments in respect of prior periods	-		63
	<hr/>		<hr/>
Total current tax		-	63
<i>Deferred tax (see note 13)</i>			
Origination and reversal of temporary differences	(218)		(111)
Effect of rate change	(51)		-
Prior Year Adjustment	-		(5)
	<hr/>		<hr/>
Total deferred tax		(269)	(116)
		<hr/>	<hr/>
Tax on loss		(269)	(53)
		<hr/>	<hr/>

The credit for the year can be reconciled to the profit and loss account as follows

	2021	2020
	£000	£000
Loss for the year	(1,553)	(910)
	<hr/>	<hr/>
Loss multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19%)	(295)	(173)
Effects of:		
Fixed asset differences	7	8
Non-deductible expenses	2	-
Group relief surrendered	118	84
Under provided in prior years	-	63
Difference in tax rates	(106)	(9)
Deferred tax not recognised	5	(26)
	<hr/>	<hr/>
Total tax credit	(269)	(53)
	<hr/>	<hr/>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rates from 19% to 17%, which was substantively enacted at the balance sheet date. Deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements. On 3 March 2021, the UK government announced that the rate of corporation tax would increase from 19% to 25% from April 2023. Management has not undertaken a full analysis of the impact of this change at this stage. These announcements do not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 19%.

## Notes to the financial statements

For the year ended 31 December 2021

### 8 Loss for the year

Loss for the year has been arrived at after charging/(crediting):

	2021 £000	2020 £000
Net foreign exchange losses/(gains)	(25)	(20)
Depreciation of property, plant and equipment	72	59
Staff costs (see note 4)	1,139	479
	<u>1,186</u>	<u>518</u>

### 9 Tangible fixed assets

	Freehold land and buildings £000	IFRS16 Lease Cars £000	Plant and Machinery £000	Total £000
<b>Cost</b>				
Balance at 1 January 2021	1,622	17	522	2,161
Additions	-	11	4	15
Disposals	-		(11)	(11)
	<u>1,622</u>	<u>28</u>	<u>515</u>	<u>2,165</u>
Balance at 31 December 2021	1,622	28	515	2,165
<b>Depreciation and impairment</b>				
Balance at 1 January 2021	448	7	451	906
Depreciation charge for the year	40	14	18	72
Disposals	-		(11)	(11)
	<u>488</u>	<u>21</u>	<u>458</u>	<u>967</u>
Balance at 31 December 2021	488	21	458	967
<b>Net book value</b>				
At 31 December 2021	1,134	7	57	1,198
At 31 December 2020	1,174	10	71	1,255

## Notes to the financial statements

For the year ended 31 December 2021

### 10 Stocks

	2021 £000	2020 £000
Raw materials	585	495
Work in Progress Inventory	95	99
Finished Goods	427	363
Slow moving stock reserve	(336)	(245)
	<u>771</u>	<u>712</u>

The value of stock recognised as an expense during the period was £2,875,315 (2020: £2,752,813).

### 11 Debtors

	2021 £000	2020 £000
Trade debtors	711	493
Intercompany debtors:		
- Parent	-	154
- Fellow group companies	-	2,182
Other debtors	91	24
Deferred tax assets (see note 13)	432	163
Prepayments and accrued income	82	15
	<u>1,316</u>	<u>3,031</u>

The amounts owed by fellow group undertakings and by the parent company are unsecured, repayable on demand and interest free.

### 12 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	860	385
Intercompany creditors:		
- Parent	790	138
- Fellow group companies	1,590	577
Other taxation and social security (incl. Corporation Tax)	94	23
IFRS 16 Lease Creditor	10	11
Accruals	288	284
	<u>3,632</u>	<u>1,418</u>

The amounts owed to fellow group undertakings and to the parent company are unsecured, repayable on demand and are interest free.

## Notes to the financial statements

For the year ended 31 December 2021

### 13 Deferred tax assets and liabilities

#### *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	Assets 2021 £000	Assets 2020 £000	Liabilities 2021 £000	Liabilities 2020 £000	Net 2021 £000	Net 2020 £000
Tangible fixed assets	77	68	-	-	77	68
Losses	355	95	-	-	355	95
Net tax assets	<u>432</u>	<u>163</u>	<u>-</u>	<u>-</u>	<u>432</u>	<u>163</u>

#### *Movement in deferred tax during the year*

	1 January 2021 £000	Recognised in income £000	Recognised in equity £000	31 December 2021 £000
Tangible fixed assets	68	9	-	77
Losses	95	260	-	355
	<u>163</u>	<u>269</u>	<u>-</u>	<u>432</u>

#### *Movement in deferred tax during the prior year*

	1 January 2020 £000	Recognised in income £000	Recognised in equity £000	31 December 2020 £000
Tangible fixed assets	47	21	-	68
Losses	-	95	-	95
	<u>47</u>	<u>116</u>	<u>-</u>	<u>163</u>

The deferred tax asset includes an amount of £355,000 which relates to carry-forward losses of Aerovac Keighley Ltd. The company has concluded that the deferred tax asset will be recoverable using the estimated future taxable income of the Company. Deferred tax losses have been calculated using a tax rate of 25%, which was the rate expected to be applicable when the benefit would be realised.

### 14 Capital and reserves

#### *Share capital*

	2021 £000	2020 £000
<i>Authorised and allotted, called up and fully paid</i>		
1,000 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.



## Notes to the financial statements

For the year ended 31 December 2021

### 14 Capital and reserves (continued)

#### Dividends

Dividends of £1,400,000 (2020: £nil) were proposed and paid during the period. The payment was to the Company's shareholder at the time, Umeco Limited.

#### Reserves

The profit and loss account reserve includes all current and previous period retained profits and losses, net of any distribution to owners.

### 15 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2021 £000	2020 £000
Less than one year	10	1
Between one and five years	8	1
	<hr/> 2	<hr/> 2
	<hr/> <hr/>	<hr/> <hr/>

During the year £21,438 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £20,835). The operating leases included here related solely to forklift trucks used on site as well as photocopiers.

The company currently has lease arrangements in place for company cars. Rental for these is paid monthly and the leases run until February 2023. Normal restrictions apply for lease cars. In line with new IFRS 16 arrangements, these leases have been reclassified under fixed assets with associated depreciation in 2021.

### 16 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are disclosed in note 1, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily available from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period and future period if the revision affects both current and future periods.

Management believe there are no areas of accounting judgements or estimation uncertainty which would have a material effect on the amount recognised in the financial statements.

### 17 Related party transactions

During the year the Company entered into arm's length transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December 2021 with other related parties, are as follows:

#### Transactions with key management personnel

Directors of the Company and their immediate relatives control 0% of the voting shares of the Company.

## Notes to the financial statements

For the year ended 31 December 2021

## 17 Related party transactions (continued)

### Other related party transactions

*Other related party transactions*

	Sales to		Administrative expenses incurred from	
	2021	2020	2021	2020
	£	£	£	£
Parent	-	-	484	472
Other Related Parties:				
• Other Cytec/Solvay group companies	6	697	315	217
• Aerovac Santa Fe Springs (fellow group)	47	-	-	-
• Aerovac Med Lab (fellow group)	3	-	-	-
• Aerovac Mondovi (fellow group co)	627	-	-	-
• Aerovac Toulouse (fellow group co)	382	-	-	-
	<u>1,065</u>	<u>697</u>	<u>799</u>	<u>689</u>
	<u><u>1,065</u></u>	<u><u>697</u></u>	<u><u>799</u></u>	<u><u>689</u></u>
	Receivables outstanding		Creditors outstanding	
	2021	2020	2021	2020
	£	£	£	£
Parent	-	154	790	138
Other Related Parties:				
• Other Cytec/Solvay group companies	-	2,182	-	577
• Aerovac Med Lab (fellow group)	-	-	1,206	-
• Aerovac Mondovi (fellow group co)	-	-	-	-
• Aerovac Toulouse (fellow group co)	-	-	384	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>2,336</u></u>	<u><u>2,380</u></u>	<u><u>715</u></u>

Due to the sale of the company in the financial year, there was a change in group companies and parent undertakings. Where Solvay and Cytec are mentioned in the disclosure above, these are transactions for group companies up to the date of sale. After the sale of the company our immediate parent company change to Aerovac Systems UK Ltd. with the ultimate parent company becoming GLS Composites Distribution LLC.

## 18 Post balance sheet events

A SMOG reserve increase was posted for the amount of £177k in order to bring us in line with the SMOG policy of our parent company. This has been adjusted for in the reported numbers.

**19 Ultimate parent company and parent company of larger group**

Due to the 1 March 2021 change of ownership mentioned above, the ultimate parent company of the business is now GLS Composites Distribution LLC. They are located at 955-10 National Parkway, Schaumburg, IL 60713, USA. The immediate parent company is Aerovac Systems UK Ltd.