

Registered number 00540182

## **AEROVAC MED-LAB LTD**

### **DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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**AEROVAC MED-LAB LTD.**

***DIRECTORS' 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.

On 1 March 2021, the name of the company was changed to Aerovac Med-Lab Ltd from Cyttec – Med – Lab Limited. This is discussed further below.

### **Principal activities**

The principal activity of the company is the distribution of chemicals and fuel testing equipment to the aerospace and petroleum industries. The company expects to continue in these activities going forward and there are no significant changes expected. The company has made no political donations.

### **Going Concern**

The financial statements have been prepared on a going concern basis. The directors have prepared going concern projections which show that the company is expected to turn a profit in the twelve months from the balance sheet date and will have a positive net cash position following the acquisition by GLS Composites Distribution LLC on 1 March 2021. The company was acquired as part of plans to expand the Composite One's operations outside of the US market.

Following the sale to GLS Composites Distribution LLC, there have been a number of cash injections into the business, totalling \$245,000 in the year to 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 for the year are shown 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:

	<b>2021</b>	2020
	<b>£000</b>	£000
Revenue	<b>3,411</b>	3,917
Gross profit	<b>1,540</b>	1,969
Gross profit %	<b>45.2%</b>	50.3%
Operating profit	<b>627</b>	364

The business was impacted by the Covid-19 pandemic, from early 2020, running into 2021. Turnover decreased by £506k in the year. Gross margin percentage also decreased in comparison to the prior year, mainly being driven by product mix of sales. Going forward we still expect to maintain a healthy gross margin percentage, on a higher level of sales than achieved in 2021. In absolute terms, administrative costs were significantly lower in 2021 when compared to 2020. This was largely due to lower management recharge costs incurred in the year after our sale out of the Solvay group. The lower level of administrative costs made a significant impact on the increased operating profit in 2021 versus 2020.

## **Directors' report (continued)**

### **Results and key performance indicators (continued)**

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.

### **Principal risks, uncertainties and future developments**

The key risk areas of the company are:

- customer pricing affecting sales and gross margin;
- credit and cash flow risk;
- loss of key customer accounts;
- general climate/environment risks;
- Covid-19 pandemic;
- 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.

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. We also plan to expand product ranges as well as delivering improved technology and products.

The Company's principal financial assets are trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Foreign exchange risk is managed by the group treasury function, through utilising group banking facilities and internal bank accounts.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses intercompany funding.

Following the impact of the 'Brexit' referendum, we will continue to monitor the risks and opportunities involved with UK leaving the EU and the company will mitigate this through the GLS Composites Distribution LLC group where possible. There will be ongoing reviews around the sensitivity of assets and liabilities with regards to foreign exchange impacts, particularly in relation to Brexit, and appropriate action to manage any impacts will be undertaken promptly.

Having considered the above risks and uncertainties, the directors have a reasonable expectation that the company will continue to operate with its current principal activities.

### **Dividend and transfer to reserves**

The profit for the year of £626,095 has been transferred to reserves (2020: £364,820). During the year, and up to the date of approval of this report, dividends of £4,200,000 (2020: £nil) were proposed and paid.

## **Directors' report (continued)**

### **Directors**

The directors who held office during the year and at the date of this report were as follows:

R King  
M Knight  
L Edenbrow

There was change in directors who held office as a result of our change to Aerovac Med-Lab Ltd. D Clears resigned his directorship on 1 March 2021 and was replaced by L Edenbrow on the same date. Similarly the Company secretary, A Murphy, resigned on 1 March 2021 and C Dobbeck was appointed on the same date.

There were no qualifying third party indemnity provisions at the time the Directors' Report was approved.

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

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

### **Post balance sheet events**

There are no post balance sheet events to report.

### **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



**L Edenbrow**  
*Director*  
Copeland Street  
Derby, DE1 2PU

Date: 28 November 2022

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 to 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 MED-LAB LTD**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC MED-LAB LTD**

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**Opinion**

We have audited the financial statements of Aerovac Med-Lab 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 MED-LAB LTD

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC MED-LAB 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 MED-LAB LTD

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC MED-LAB 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 MED-LAB LTD**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC MED-LAB 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

**AEROVAC MED-LAB LTD**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	<i>Note</i>	<b>2021</b> <b>£</b>	<b>2020</b> <b>£</b>
<b>Turnover</b>	<b>3</b>	<b>3,410,542</b>	3,917,015
Cost of sales		(1,870,662)	(1,947,698)
<b>Gross profit</b>		<b>1,539,880</b>	1,969,317
Staff Costs	<b>4</b>	(646,869)	(753,760)
Administrative expenses		(266,097)	(851,423)
<b>Operating profit</b>		<b>626,914</b>	364,134
Interest receivable and similar income	<b>6</b>	-	7,143
Interest payable and similar expenses		(5,129)	(7,427)
<b>Profit before tax</b>		<b>621,785</b>	363,850
Tax on profit	<b>7</b>	<b>4,310</b>	970
<b>Profit for the financial year</b>		<b>626,095</b>	364,820

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

Other than the profit for the year, the company had no comprehensive income or expense in either the current or preceding year, therefore no statement of comprehensive income has been prepared.

The notes on pages 12 to 25 form an integral part of these financial statements.

**AEROVAC MED-LAB LTD**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	Note	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		263,421		269,270
			<u>263,421</u>		<u>269,270</u>
<b>Current assets</b>					
Stocks	9	141,371		266,008	
Debtors	10	1,645,838		5,476,647	
Cash at bank and in hand		243,716		-	
		<u>2,030,925</u>		<u>5,742,655</u>	
Creditors: amounts falling due within one year	11	(671,109)		(814,783)	
<b>Net current assets</b>			<u>1,359,816</u>		<u>4,927,872</u>
<b>Net assets</b>			<u>1,623,237</u>		<u>5,197,142</u>
<b>Capital and reserves</b>					
Called up share capital	13		5,250		5,250
Profit and loss account			5,817,987		5,191,892
Dividends			(4,200,000)		
<b>Shareholders' funds</b>			<u>1,623,237</u>		<u>5,197,142</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to entities 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:



**L Edenbrow**  
Director

Company registered number: 00540182

Date: 28 November 2022

The notes on pages 12 to 25 form part of these financial statements.

**AEROVAC MED-LAB LTD**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

Statement of changes in equity

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2021	5,250	5,191,892	5,197,142
Profit for the year	-	626,095	626,095
Dividend Paid	-	(4,200,000)	(4,200,000)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2021</b>	<b>5,250</b>	<b>1,617,987</b>	<b>1,623,237</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2020	5,250	4,827,072	4,832,322
Profit for the year	-	364,820	364,820
Dividend Paid	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2020</b>	<b>5,250</b>	<b>5,191,892</b>	<b>5,197,142</b>
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The notes on pages 12 to 25 form an integral part of these financial statements.

## Notes to the financial statements

For the year ended 31 December 2021

### 1 General Information

Aerovac Med-Lab Ltd (the "Company") is a private company limited by shares, incorporated and registered in the UK (England and Wales) under number 00540182. The registered office address of the company as of 3 March 2021 is now Copeland Street, Derby, DE1 2PU, having previously been Composites House, Sinclair Close, Heanor Gate Industrial Estate, Heanor, Derbyshire, DE75 7SP.

The principal activity of the company is the distribution of chemicals and fuel testing equipment to the aerospace and petroleum industries.

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

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;
- Comparative period reconciliations for tangible fixed assets;
- 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.

As the consolidated financial statements of Solvay S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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 18.

The company has also taken exemption from certain requirements of IAS 36.

## **Notes to the financial statements**

For the year ended 31 December 2021

### **2 Accounting policies**

#### **2.1 Measurement convention**

The financial statements are prepared on the historical cost basis.

#### **2.2 Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on page 1.

The financial statements have been prepared on a going concern basis. The directors have prepared going concern projections which show that the company is expected to turn a profit in the twelve months from the balance sheet date and will have a positive net cash position following the acquisition by GLS Composites Distribution LLC on 1 March 2021. The company was acquired 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 in to 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.

#### **2.3 Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currencies 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 losses arising on translation of £2,659 are recognised in the profit and loss account (2020: £5,266 gain).

## **Notes to the financial statements**

For the year ended 31 December 2021

### **2 Accounting policies (continued)**

#### **2.4 Classification of financial instruments issued by the Company**

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### **2.5 Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, 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.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### **2.6 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 on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### **2.7 Interest receivable and payable**

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



## **Notes to the financial statements**

For the year ended 31 December 2021

### **2 Accounting policies (continued)**

#### **2.8 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. 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 balance sheet 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 Balance Sheet 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 balance sheet date.

#### **2.9 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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 estimated useful lives are as follows:

Freehold property	– 50	years
Plant and machinery	- 4 to 10	years
Motor Vehicles	- 4	years
IFRS 16 Lease Land	-	Over the period of the lease

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

#### **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 balance sheet 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.

## Notes to the financial statements

For the year ended 31 December 2021

### 2 Accounting policies (continued)

#### 2.11 IFRS 9, IFRS 16 AND IFRS 15

There is no financial impact to disclose however in relation to the adoption of these standards.

##### *IFRS 9 Financial Instruments*

The company has applied IFRS 9 from 1 January 2018. The company has elected not to restate comparatives on initial application of IFRS 9.

There will be no impact on the classification and measurement of the following financial assets held by the entities, trade receivables.

There will be no change in the accounting for any financial liabilities.

##### *Classification and measurement*

Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instrument: (i) amortised cost, (ii) fair value through comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income. Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification. In respect to classification and measurement of financial liabilities changes in the fair value if a financial liability designated as at FVTPL due to credit risk are presented in other comprehensive income unless such presentation would create or enlarge an accounting mismatch in profit and loss.

##### *Impairment*

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IFRS 9. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date. The company expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, as required or permitted by IFRS 9. The impact of this assessment has been £nil.

##### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. The company has adopted IFRS 15 for the year ended 31 December 2018 and has adopted the modified retrospective approach without restatement of comparatives. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

## Notes to the financial statements

For the year ended 31 December 2021

### 2 Accounting policies (continued)

#### IFRS 16 Lease payments

The Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

#### 2.12 Impairment excluding stocks and deferred tax assets

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

A financial asset not carried at fair value through profit or loss is 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 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 that are not yet available for use, the recoverable amount is estimated each year at the same time.

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 asset or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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.

#### 2.13 Expenses

##### *Interest receivable*

Interest income is recognised in the profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

## **Notes to the financial statements**

For the year ended 31 December 2021

### **2 Accounting policies (continued)**

#### **2.14 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.

### **3 Turnover**

	2021 £	2020 £
Turnover from sale of goods	3,410,542	1,361,749
	<u>3,410,542</u>	<u>3,917,015</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	544,224	447,783
Europe	1,627,059	1,655,496
Middle East	338,149	451,987
Rest of the World	901,110	1,361,749
	<u>3,410,542</u>	<u>3,917,015</u>

### **4 Employees**

	2021 £	2020 £
Wages and salaries	533,369	649,645
Social security costs	74,684	64,736
Cost of defined contribution pension scheme	38,816	39,379
	<u>646,869</u>	<u>753,760</u>

## **Notes to the financial statements**

For the year ended 31 December 2021

### **4 Employees (continued)**

The average monthly number of employees, including directors, during the year was as follows:

	2021 No.	2020 No.
Administration and distribution	17	19

In line with requirements of the Companies Act 2006, the number of employees disclosed above is the monthly average for the year ended 31 December 2021.

### **5 Directors' remuneration**

	2021 £	2020 £
Directors' remuneration	305,015	204,712
Company contributions to money purchase pension plans	23,170	17,606
	<u>328,185</u>	<u>223,318</u>

The highest paid director received remuneration of £216,636 (2020: £116,458).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £9,809 (2020: £6,157).

### **6 Interest receivable**

	2021 £	2020 £
Other interest receivable	-	7,143
	<u>-</u>	<u>(7,143)</u>

## Notes to the financial statements

For the year ended 31 December 2021

### 7 Taxation

	2021 £	2020 £
<b>Corporation Tax</b>		
Adjustments in respect of prior periods	-	(970)
	-	(970)
<b>Total current tax</b>	-	(970)
<b>Deferred Tax</b>		
Origination and reversal of timing differences	553	-
Effect of tax rate change on opening balance	(4,863)	-
<b>Total Deferred Tax</b>	(4,310)	-
	-	-
Taxation on (loss)/profit on ordinary activities	(4,310)	(970)

Corporation tax is calculated at 19 % (2020: 19 %) of the estimated taxable profit for the year. The credit for the year can be reconciled to the profit and loss account as follows:

### Reconciliation of effective tax rate

	2021 £	2020 £
Profit on ordinary activities before tax	621,785	363,850
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2020: 19 %)	118,139	69,132
Reduction in tax rate on deferred tax balances	(4,731)	(2,055)
Fixed asset differences	30	583
Adjustments to tax charge in respect of prior periods	-	(641)
Non-deductible expenses	-	15,770
Group relief surrendered/(claimed)	(117,748)	(81,363)
Deferred tax not recognised	-	(2,396)
<b>Total tax charge for the year</b>	(4,310)	(970)

## Notes to the financial statements

For the year ended 31 December 2021

### 7 Taxation (continued)

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%.

### 8 Tangible fixed assets

	Freehold property £	IFRS 16 Lease Land £	Plant and machinery £	Total £
<b>Cost or valuations</b>				
Balance at 1 January 2021	268,566	86,980	121,755	477,301
Additions	-	-	7,016	7,016
Disposals	-	-	(18,598)	(18,598)
Balance at 31 December 2021	268,566	86,980	110,173	465,719
<b>Depreciation and impairment</b>				
Balance at 1 January 2021	108,595	3,270	96,166	208,031
Depreciation charge for the year	3,535	1,635	7,695	12,865
Disposals	-	-	(18,598)	(18,598)
Balance at 31 December 2021	112,130	4,905	85,263	202,298
<b>Net book value</b>				
At 31 December 2021	156,436	82,075	24,910	263,421
At 31 December 2020	159,971	83,710	25,589	269,270

## Notes to the financial statements

For the year ended 31 December 2021

### 9 Stocks

	2021 £	2020 £
Finished goods	141,371	266,008
	<u>141,371</u>	<u>266,008</u>

Cost of inventories recognised as expense during the year ended 31 December 2021 was £1,793,837 (2020: £1,842,901). There were no stock write downs in the current and prior year.

### 10 Debtors

	2021 £	2020 £
<b>Due after more than one year</b>		
Deferred tax asset	19,712	15,402
	<u>19,712</u>	<u>15,402</u>
<b>Due within one year</b>		
Trade debtors	376,183	289,632
Amounts owed by group undertakings	1,209,268	5,128,144
Other debtors	40,675	43,469
	<u>1,645,838</u>	<u>5,476,647</u>

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

	2021 £	2020 £
Trade creditors	56,146	25,306
Amounts owed to parent company	325,438	100,522
Other taxation and social security	11,447	264,313
IFRS16 Right of Use Lease Liability	85,697	86,144
Accruals and deferred income	192,381	338,498
	<u>671,109</u>	<u>814,783</u>



## Notes to the financial statements

For the year ended 31 December 2021

### 12 Deferred taxation

	2021 £
At beginning of year	15,402
Charged to profit or loss	4,310
	<hr/>
At end of year	19,712
	<hr/>

	2021 £	2020 £
Accelerated capital allowances	15,192	15,402
Short term timing differences	4,520	-
	<hr/>	<hr/>
	19,712	15,402
	<hr/>	<hr/>

### 13 Capital and reserves

	Ordinary shares	
	2021 £	2020 £
<i>Authorised, allotted, called up and fully paid</i>		
5,250 (2020: 5,250) Ordinary shares of £1 each	5,250	5,250
	<hr/>	<hr/>

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.

#### *Dividends*

There was a dividend of £4,200,000 recognised during the year (2020: *£nil*). Dividend per share is £800 (2020: *£nil*).

After the balance sheet date dividends of £nil per qualifying ordinary share (2020: *£nil*) were proposed by the directors.

#### *Reserves*

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

### 14 Pension commitments

The company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £38,816 (2020: £42,391).

## For the year ended 31 December 2021

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:

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

*Other related party transactions*

	Receivables outstanding		Creditors outstanding	
	2021	2020	2021	2020
	£	£	£	£
Parent	-	53,496	325,438	91,997
Other Related Parties:				
• Other Solvay group companies	-	5,074,648	-	6,240
• -Aerovac Keighley Ltd ( <i>fellow group co</i> )	1,209,268	73	-	-
• Cytec Eng Mat Inc ( <i>fellow group co</i> )	-	-	-	2,358
	<u>1,209,268</u>	<u>5,128,217</u>	<u>325,438</u>	<u>100,595</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.

## **Notes to the financial statements**

For the year ended 31 December 2021

### **16 Subsequent Events**

There are no post balance sheet events to report.

### **17 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are disclosed in note 2, 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.

### **18 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.

### **19 Operating leases**

Future minimum lease payments are as follows:

	2021 £	2020 £
Less than one year	812	812
Between one and five years	-	812
	<hr/> 812	<hr/> 1,624
	<hr/>	<hr/>

#### *Description of significant lease arrangements*

The Company currently has lease arrangements in place for the land on which its premises are located. Rental for land is payable quarterly in arrears. The lease for land expires in March 2072. Normal restrictions apply for the leased land, with permissions required from the Landlord for improvements or building on the site. In line with IFRS 16 arrangements, this lease has been reclassified under fixed assets with associated depreciation in 2021.

The Company also has lease arrangements in place for a photocopier at its site, rental for which is payable quarterly in advance. The lease for the photocopier expires at the end of 2022.

During the year £812 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £812).