

AEROVAC MED-LAB LTD

**DIRECTORS' REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2022**

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AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' report

The directors present their Directors' report and the audited financial statements for the year ended 31 December 2022.

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 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 at the end of the period.

The company is supported by its parent, GLS Composites Distribution LLC, and a letter of support has been issued by them 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.

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:

	2022	2021
	£000	£000
Revenue	4,309	3,411
Gross profit	2,017	1,540
Gross profit %	46.8%	45.2%
Operating profit	838	627

With the business recovery after the pandemic continuing, turnover increased from 2021 by £898k to £4,309k. Gross margin of 46.8% was achieved on the sales of the year, again an increase from the prior year. Our gross margin is relatively stable year to year at around this level. Going forward we still expect to maintain a healthy gross margin. In absolute terms, administrative costs were significantly higher in 2022 when compared to 2021. This was mainly driven by a recharge of global costs from our fellow group company where the global costs of the Aerovac group are collected.

AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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;
- foreign exchange risk; and
- the ongoing 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. Under IFRS9 the entity uses the expected credit loss model, whereby we consider historic, current and forward-looking information when determining the recognition of credit losses. 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 £812,955 has been transferred to reserves (2021: £626,095). During the year, and up to the date of approval of this report, dividends of £nil (2021: £4,200,000) were proposed and paid.

AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

Directors' Indemnity coverage is set at a global level for all Directors within the GLS Composites Distribution LLC business.

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.

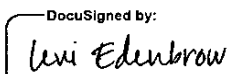
Post balance sheet events

There are no post balance sheet events to report.

Auditor

Following a rebranding exercise on 15 May 2023, the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor will be proposed at the next Annual General Meeting.

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

DocuSigned by:

FB04AF08AB7D476
L Edenbrow
Director
Copeland Street
Derby, DE1 2PU

Date: 28 September 2023

AEROVAC MED-LAB LTD

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

AEROVAC MED-LAB LTD

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

Opinion

We have audited the financial statements of Aerovac Med-Lab Ltd (the 'Company') for the year ended 31 December 2022, 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 2022 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.

AEROVAC MED-LAB LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC MED-LAB LTD (CONTINUED)

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.

AEROVAC MED-LAB LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC MED-LAB LTD (CONTINUED)

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.

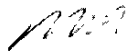
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

AEROVAC MED-LAB LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEROVAC MED-LAB LTD (CONTINUED)

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
Statutory Auditor
London
Date: 28.09.2023

MHA is the trading name of the MacIntyre Hudson LLP, a Limited Liability Partnership in England and Wales, (registered number OC312313).

AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Profit and loss account
for year ended 31 December 2022

	<i>Note</i>	2022 £	2021 £
Turnover	3	4,309,337	3,410,542
Cost of sales		(2,292,679)	(1,870,662)
Gross profit		2,016,658	1,539,880
Staff Costs	4	(853,231)	(646,869)
Administrative expenses		(325,252)	(266,097)
Operating profit		838,175	626,914
Interest receivable and similar income	6	-	-
Interest payable and similar expenses		(15,621)	(5,129)
Profit before tax		822,554	621,785
Tax on profit	7	(9,599)	4,310
Profit for the financial year		812,955	626,095

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 24 form an integral part of these financial statements.


AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Balance sheet
as at 31 December 2022

	Note	2022		2021	
		£	£	£	£
Fixed assets					
Tangible assets	8	362,234		263,421	
		<u>362,234</u>		<u>263,421</u>	
Debtors due after more than one year: Deferred Tax		10,113		19,712	
Current assets					
Stocks	9	346,250		141,371	
Trade and Other debtors	10	457,023		416,858	
Intercompany borrowings	10	2,158,813		1,209,268	
Cash at bank and in hand	10	443,833		243,716	
		<u>3,405,919</u>		<u>2,011,213</u>	
Current liabilities					
Trade creditors		(110,102)		(56,146)	
Intercompany trade creditors		(88,219)		-	
Statutory taxation payments (<i>incl. Corporation Tax</i>)		(33,353)		(11,447)	
Other creditors		(362,660)		(278,078)	
Creditors: amounts falling due within one year	11	<u>(594,334)</u>		<u>(345,671)</u>	
Net current assets		2,811,585		1,665,542	
Borrowings: owed to Parent Company		(747,740)		(325,438)	
Net assets		<u>2,436,192</u>		<u>1,623,237</u>	
Capital and reserves					
Called up share capital	13	5,250		5,250	
Profit and loss account		2,430,942		1,617,987	
Shareholders' funds		<u>2,436,192</u>		<u>1,623,237</u>	

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

DocuSigned by:

FB04AF08AB7D476...

L Edembrow
Director

Company registered number: 00540182

Date: 28 September 2023

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

AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of changes in equity

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2022	5,250	1,617,987	1,623,237
Profit for the year	-	812,955	812,955
Balance at 31 December 2022	5,250	2,430,942	2,436,192

	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 (<i>paid to past parent company</i>)	-	(4,200,000)	(4,200,000)
Balance at 31 December 2021	5,250	1,617,987	1,623,237

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

AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to the financial statements

For the year ended 31 December 2022

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 is Copeland Street, Derby, DE1 2PU.

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.

As it is a qualifying entity, the financial statements of the company have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"), and as such do not comply with all the requirements of IFRS as adopted by the EU. The company has taken advantage of the disclosure exemptions for the relevant standards as seen below.

The group financial statements of the ultimate parent entity, GLS Composites Distribution LLC are not available to the public due to the company being privately owned and based in the United States of America. Aerovac Systems UK Ltd has taken advantage of FRS 101 disclosure exemptions, with the financial statements of the ultimate parent entity being filed at Companies House with these financial statements.. 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 GLS Composites Distribution LLC 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 17.

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

AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to the financial statements

For the year ended 31 December 2022

2 Accounting policies

2.1 Measurement convention

The financial statements are prepared on the historical cost basis.

2.2 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 at the end of the period.

The company is supported by its parent, GLS Composites Distribution LLC, and a letter of support has been issued by them 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.

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 gains arising on translation of £46,866 are recognised in the profit and loss account (2021: £2,659 loss).

AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to the financial statements

For the year ended 31 December 2022

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 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. While the company has intercompany borrowings, the rates are fair and obtainable in the

2.6 Turnover

Performance Obligations and Timing of Revenue Recognition

The majority of the Company's revenue is derived from selling goods, with revenue recognised at a point in time when control of the goods is deemed to have transferred to the customer. In the majority of cases this is deemed to have happened when goods are despatched from our warehouse. However, for export sales, control might also be transferred when delivered either to the port of departure or port of arrival, depending on the specific terms of the contract with a customer. There is limited judgment needed in identifying the point control passes; once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

The revenue recognised excludes value added tax and other similar taxes. Most of the company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. 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.

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.

AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to the financial statements

For the year ended 31 December 2022

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 of 92 years

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.

AEROVAC MED-LAB LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Notes to the financial statements

For the year ended 31 December 2022

2 Accounting policies (continued)

2.11 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

Financial Assets are assessed in order to determine any impairment applicable. Under IFRS9 the entity uses the expected credit loss model, whereby we consider historic, current and forward-looking information when determining the recognition of credit losses.

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

Non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows.

Impairment charges are included in the profit or loss, except to the extent they reverse gains previously recognised in other income. An impairment loss recognised is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply.

2.12 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.

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For the year ended 31 December 2022

2 Accounting policies (continued)

2.13 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

	2022 £	2021 £
Turnover from sale of goods	4,309,337	3,410,452
	4,309,337	3,410,452

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	668,242	544,224
Europe	1,709,891	1,627,059
Middle East	352,424	338,149
Rest of the World	1,578,780	901,110
	4,309,337	3,410,542

4 Employees

	2022 £	2021 £
Wages and salaries	727,826	533,369
Social security costs	77,997	74,684
Cost of defined contribution pension scheme	47,408	38,816
	853,231	646,869

The average number of people employed by Aerovac Med-Lab Ltd in the year was 19 (2021: 17).

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4 Employees (continued)

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

	2022 No.	2021 No.
Administration and distribution	<u>19</u>	<u>17</u>

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 2022.

5 Directors' remuneration

	2022 £	2021 £
Directors' remuneration	293,721	305,015
Company contribution to money purchase pension plans	16,071	23,170
	<u>309,792</u>	<u>328,185</u>

The highest paid director received remuneration of £212,716 (2021: £216,636).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,070 (2021: £9,809).

6 Interest receivable

	2022 £	2021 £
Other interest receivable	-	-
	<u>-</u>	<u>-</u>

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For the year ended 31 December 2022

7 Taxation

	2022 £	2021 £
Corporation Tax		
Adjustments in respect of prior periods	-	-
	-	-
Total current tax	-	-
Deferred Tax		
Origination and reversal of timing differences	9,599	553
Effect of tax rate change on opening balance	-	(4,863)
Total Deferred Tax	9,599	(4,310)
 Taxation on (loss)/profit on ordinary activities	 9,599	 (4,310)

Corporation tax is calculated at 19 % (2021: 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

	2022 £	2021 £
Profit on ordinary activities before tax	822,554	621,785
 Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2021: 19 %)	 156,285	 118,139
Reduction in tax rate on deferred tax balances	2,304	(4,731)
Fixed asset differences	(1,349)	30
Adjustments to tax charge in respect of prior periods	-	-
Non-deductible expenses	8	-
Group relief surrendered/(claimed)	(147,649)	(117,748)
Capital allowance adjustments	-	-
Deferred tax recognised	-	-
Total tax charge for the year	9,599	(4,310)

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For the year ended 31 December 2022

7 Taxation (continued)

On 3 March 2021, the UK government announced that the rate of corporation tax would increase from 19% to 25% from April 2023. As this was substantively enacted on 24 May 2021, the deferred taxes at the balance sheet date have been measured to the enacted tax rate of 25%.

8 Tangible fixed assets

	Freehold property £	Motor Vehicles £	IFRS 16 Lease Land £	Plant and machinery £	Total £
Cost or valuations					
Balance at 1 January 2022	268,566	-	86,980	110,173	465,719
Additions	28,565	43,750	-	47,433	119,748
Disposals	-	-	-	-	-
 Balance at 31 December 2022	297,131	43,750	86,980	157,606	585,467
 Depreciation and impairment					
Balance at 1 January 2022	112,130	-	4,905	85,263	202,298
Depreciation charge for the year	4,285	7,288	1,635	7,727	20,935
Disposals	-	-	-	-	-
 Balance at 31 December 2022	116,415	7,288	6,540	92,990	223,233
 Net book value					
At 31 December 2022	180,716	36,462	80,440	64,616	362,234
 At 31 December 2021	156,436	-	82,075	24,910	263,421

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For the year ended 31 December 2022

9 Stocks

	2022 £	2021 £
Finished goods	346,250	141,371
	<u>346,250</u>	<u>141,371</u>

Cost of inventories recognised as expense during the year ended 31 December 2022 was £1,842,901 (2021: £1,793,837). There were no stock write downs in the current and prior year.

10 Debtors

	2022 £	2021 £
Due after more than one year		
Net deferred tax asset	<u>10,113</u>	<u>19,712</u>
Due within one year		
Trade debtors	438,352	376,183
Amounts owed by fellow group company (Aerovac Keighley)	2,063,220	1,209,268
Amounts owed by parent company	95,593	-
Prepayments	16,921	10,867
Other debtors	1,750	29,808
	<u>2,615,836</u>	<u>1,626,126</u>
Total Debtors	<u>2,625,949</u>	<u>1,645,838</u>

While the company has intercompany borrowings, the rates are fair and obtainable in the market for a similar loan.

11 Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	110,102	56,146
Intercompany trade creditors (Aerovac Keighley)	88,219	-
Other taxation and social security	33,353	11,447
Corporation tax due	-	-
IFRS16 Right of Use Lease Liability	86,980	85,697
Accrued charges	275,680	192,381
	<u>594,334</u>	<u>345,671</u>

Deferred tax liabilities of £nil (2021: £nil) are due after more than one year.

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12 Deferred taxation

	2022 £
At beginning of year	19,712
Charged to profit or loss	(9,599)
At end of year	10,113

Analysis	2022 £	2021 £
Deferred tax asset	10,113	19,712
Deferred tax liability	-	-
	10,113	19,712

	2022 £	2021 £
Short term timing difference	10,648	4,520
Accelerated capital allowances	(535)	15,192
	10,113	19,712

13 Capital and reserves

	2022 £	2021 £
Ordinary shares		
<i>Authorised, allotted, called up and fully paid</i>		
5,250 (2021: 5,250) Ordinary shares of £1 each	5,250	5,250

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 £nil recognised during the year (2021: £4,200,000). Dividend per share is £nil (2021: £800).

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13 Capital and reserves (continued)

After the balance sheet date dividends of £nil per qualifying ordinary share (2021: £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 £47,408 (2021: £38,816).

15 Related party transactions

Guarantees

There are currently no guarantees in place affecting the entity.

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 2022 with other related parties, are as follows:

Other related party transactions

	Sales to 2022 £	2021 £	Admin expenses 2022 £	2021 £
Parent	-	-	-	-
Fellow Group Companies: Aerovac Keighley Ltd	-	-	-	2,085
	-	-	-	2,085

	Receivables outstanding 2022 £	2021 £	Creditors Outstanding 2022 £	2021 £
Parent	95,593	-	747,740	325,438
Fellow Group Companies: Aerovac Keighley Ltd	2,063,220	1,209,268	88,219	-
	2,158,813	1,209,268	835,959	325,438

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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 the recovery of deferred tax assets is an area of critical judgement and source of estimation uncertainty. The provision is reviewed on a quarterly basis with our tax experts.

18 Ultimate parent company and parent company of larger group

The immediate parent company is Aerovac Systems UK Ltd, a company incorporated and registered in the UK. At 31 December 2022, the company's ultimate parent company was GLS Composites Distribution LLC, a company incorporated and registered in the USA.

The largest group of undertakings for which group accounts are drawn up and of which the company is included is the group headed by GL Composites Distribution LLC. GLS Composites Distribution LLC are located at 955-10 National Parkway, Schaumburg, IL 60713, USA.

The group financial statements of the ultimate parent entity, GLS Composites Distribution LLC are not available to the public due to the company being privately owned and based in the United States of America. It is a family owned business.

19 Operating leases

Future minimum lease payments are as follows:

	2022 £	2021 £
Less than one year	-	812
Between one and five years	-	-
	<u>-</u>	<u>812</u>

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 2022.

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 expired at the end of 2022.

During the year £nil was recognised as an expense in the profit and loss account in respect of operating leases (2021: £812).